



**USAID**  
FROM THE AMERICAN PEOPLE



LSapit / Photo for USAID

# USAID CREATING ECONOMIC OPPORTUNITIES PROJECT QUARTERLY PERFORMANCE REPORT

FY19 Q2: January 31 – March 31, 2019

Submission date (DRAFT): 15 April 2019  
Contract No: 72052018C000001

This document was produced by Palladium for review by the US Agency for International Development. The views expressed in this document do not necessarily reflect the views of the US Agency for International Development or the United States Government.



# CONTENTS

<b>Abbreviations and Acronyms.....</b>	<b>5</b>
<b>Introduction .....</b>	<b>7</b>
Project Description.....	7
Highlights and Achievements from the Quarter.....	8
<b>I Trade and Investment Promoted.....</b>	<b>11</b>
1.1 Support Foreign and Domestic Investment Promotion.....	11
1.1.1 Define and Implement an Institutional Framework for Investment Promotion .....	11
1.1.2 Develop, Manage, and Facilitate a Pipeline of Investment Opportunities .....	11
1.1.3 Support Development of Industrial Zones as Investment Destinations.....	12
1.2 IMplement Economic Corridor Strategies to Guide Project Activities.....	15
1.2.1 Develop and Implement Economic Corridor Strategies .....	15
1.2.2 Develop and Support Stakeholder Coordination Frameworks in Target ECs .....	16
1.3 Improve The Enabling Environment .....	17
1.3.1 Provide Targeted Technical Assistance to Support Policy Development and Reforms .....	17
1.3.2 Build GOG Capacity around Guatecompras .....	19
1.3.3 Simplify GOG Procedures to Promote SME Access to Services .....	20
<b>2 Financial Services Mobilized.....</b>	<b>23</b>
2.1 Increased access to financial services through Financial education in Target Geographies.....	23
2.1.1 Develop and Implement a Financial Education Plan Linked to the National Financial Inclusion Strategy.....	23
2.1.2 Develop the Market of Investment Funds and Other Entrepreneurship Support Mechanisms .....	23
2.2 Increase the Number of SMEs Participating in the Formal Financial Sector.....	24
2.2.1 Build Financial Institutions' Capacity to Finance SMEs.....	24
2.2.2 Identify and Support Development of New Market Opportunities .....	25
2.3 Increase the Value Of Financing and Financial Services Extended to SMEs .....	26
2.3.1 Develop and Deploy Financial Incentives to Stimulate Access to Finance.....	26
2.3.2 Support the Establishment and Expansion of Investment Funds .....	27
2.3.3 Capitalize Commercial Banks and Investment Funds.....	27
<b>3 Productive Infrastructure Upgraded.....</b>	<b>30</b>

3.1	Strengthen Local Government Capacity to Identify, Plan, and Implement Productive Infrastructure Projects.....	30
3.1.1	Assess Municipalities' Capacity and Resources to Improve Productive Infrastructure .....	30
3.1.2	Build municipal planning capacity.....	31
3.1.3	Strengthen Municipal Linkages with the private sector .....	32
3.1.4	Improve the Municipal Enabling Environment for Project Development.....	32
3.2	Develop and Support Implementation of a Pipeline of Productive Infrastructure Projects.....	34
3.2.1	Identify and Define Productive Infrastructure Projects .....	34
3.2.2	Support Implementation of High-Potential Projects.....	35
<b>4</b>	<b>Private Sector Competitiveness Improved .....</b>	<b>38</b>
4.1	Develop and Implement Anchor Firm Alliances.....	38
4.1.1	Identify, Develop, and Manage a Pipeline of Partner Firms.....	38
4.1.2	Provide Technical Assistance to Firms under Alliances.....	38
4.1.3	Strengthen Business Development Services Providers.....	39
4.1.4	Provide targeted Technical Assistance to Support Sector-Level Initiatives.....	39
4.2	Strengthen the Entrepreneurship and Innovation Ecosystem .....	41
4.2.1	Strengthen Entrepreneurship and Innovation Development Centers .....	41
4.2.2	Develop and Leverage Alliances to Improve the Entrepreneurship/Innovation Ecosystem .....	41
4.3	Promote Market Linkages .....	42
4.3.1	Support participation in international business fairs and Trade Missions .....	42
4.3.2	Support Participation in National business-to-business exchanges.....	42
4.3.3	Leverage Technology to Facilitate Market linkages .....	43
4.4	Develop a Competitive Workforce .....	44
4.4.1	Develop and Leverage Alliances to Support Workforce Development.....	44
4.4.2	Host and Improve the Effectiveness of Job Fairs in Target Geographies.....	45
4.4.3	Develop and Implement a Formal Employment Opportunity Program for Out of School Youth...	45
4.4.4	Strengthen the Vocational Training Ecosystem .....	46
<b>5</b>	<b>Cross-Cutting Activities .....</b>	<b>47</b>
5.1	Integrate Gender Equality, Social Inclusion and Conflict Sensitivity into Project activities .....	47
5.2	Manage Communications, Outreach, and Knowledge Management .....	49
5.2.1	Manage General Program Communications and Outreach.....	49

5.2.2	Maintain Coordination and Collaboration with Other USAID/Donor Programs and Stakeholders .....	49
5.2.3	Support Communications Campaigns to Inform and Change Behaviors .....	50
<b>6</b>	<b>Program Management and Operations .....</b>	<b>51</b>
6.1	Manage Mechanisms for Collaboration and Strategy Consensus.....	51
6.1.1	Organize and Administer a National Key Stakeholders Committee.....	51
6.2	Develop and Manage Annual Work Plans and Reporting .....	52
6.3	Mobilize, Manage, and Develop Project Personnel.....	52
6.4	Manage Project Operations, Infrastructure, and Procurement .....	53
6.4.1	Provide Home Office Support and Oversight.....	53
6.4.2	Setup and Manage Physical and IT Infrastructure.....	53
6.4.3	Administer Grants under Contract.....	53
6.5	Manage Project Monitoring, Evaluation and Learning Approach.....	54
<b>7</b>	<b>challenges, risks and opportunities.....</b>	<b>55</b>
<b>Annex A</b>	<b>Project Organizational ChartS .....</b>	<b>57</b>
<b>Annex B</b>	<b>proposed changes to the work plan, march 31 .....</b>	<b>59</b>
<b>Annex C</b>	<b>Success Stories .....</b>	<b>61</b>
<b>Annex D</b>	<b>Compliance with USAID Environmental Procedures.....</b>	<b>65</b>
<b>Annex E</b>	<b>Indicators Report Table .....</b>	<b>66</b>

## TABLES AND FIGURES

Task/Inputs Table 1.1 Support Foreign and Domestic Investment Promotion.....	12
Task/Inputs Table 1.2 Implement Economic Corridor Strategies to Guide Project Activities.....	16
Task/Inputs Table 1.3 Improve The Enabling Environment.....	21
Task/Inputs Table 2.1 Increased access to financial services through Financial education in Target Geographies .....	23
Task/Inputs Table 2.2 Increase the Number of SMES Participating in the Formal Financial Sector .....	25
Task/Inputs Table 2.3 Increase the Value Of Financing and Financial Services Extended to SMEs.....	28
Task/Inputs Table 3.1 Strengthen Local Government Capacity to Identify, Plan, and Implement Productive Infrastructure Projects .....	32
Task/Inputs Table 3.2 Develop and Support Implementation of a Pipeline of Productive Infrastructure Projects.....	37
Task/Inputs Table 4.1 Develop and Implement Anchor Firm Alliances .....	40
Task/Inputs Table 4.2 Strengthen the Entrepreneurship and Innovation Ecosystem .....	41
Task/Inputs Table 4.3 Promote Market Linkages.....	43
Task/Inputs Table 4.4 Develop a Competitive Workforce.....	46
Task/Inputs Table 5.1 Integrate Gender Equality and Social Inclusion into Project activities .....	47
Task/Inputs Table 5.2 Manage Communications, Outreach, and Knowledge Management .....	50
Task/Inputs Table 6.1: Organize and Administer a National Key Stakeholders Committee .....	52
Task/Inputs Table 6.2 Develop and Manage Annual Work Plans and Reporting .....	52
Task/Inputs Table 6.3 Mobilize, Manage, and Develop Project Personnel.....	52
Task/Inputs Table 6.4 Setup and Manage Physical and IT Infrastructure .....	54
Task/Inputs Table 6.5 Manage Project Monitoring, Evaluation and Learning Approach.....	55
Table 1 Allied Businesses Pipeline, March 31, 2019, by Economic Sector .....	8
Table 2 Distribution of 2,397 mapped businesses by size of business and by sector, in two Economic Corridors .....	16
Table 3 List of most important regulatory reforms supported actively by the Project this Quarter.....	18
Table 4 Summary of Project capacity building in GuateCompras opportunities in each Quarter, and Year-to-date .....	20
Table 5 Potential municipal productive infrastructure planning tools to be strengthened by the Project.....	32
Table 6 Summary of potential Productive Infrastructure projects identified.....	34
Table 7 List of feasibility studies in-process or in development in Q2 .....	36
Table 8 Potential Allied Businesses and Associations led by Women and/or Indigenous Peoples.....	48
Figure 1. 55 Allied Businesses to March 31 .....	9
Figure 2: Six Economic Corridors with Three Mapped to-date .....	15
Figure 3 Participation in GuateCompras workshops by Department and participant sector .....	20
Figure 4 Nine Municipalities Selected for Strengthening in Economic Corridors 1, 2 and 3 .....	31
Figure 5 Implementation Process for High-potential Productive Infrastructure Projects.....	35

## ABBREVIATIONS AND ACRONYMS

ACREDICOM	Cooperative in Quetzaltenango, member of MiCoope
AGEXPORT	Guatemalan Association of Exporters
AGVC	Guatemalan Venture Capital Association
AMCHAM	American-Guatemalan Chamber of Commerce
BAC	Central American Bank
BAM	Agro-mercantile Bank
BDSPs	Business Development Service Providers
BEEP	Babson Ecosystem Enterprise Platform
BI	Industrial Bank
CAMTUR	Tourism Chamber
CCG	Guatemalan Chamber of Commerce
CEMPRO	<i>Cementos Progreso</i> , a large Guatemalan Cement Company
CENPROMYPE	PromiPyME Centers
CentraRSE	Center for Action for Business Social Responsibility
CGC	Guatemalan Chamber of Commerce
CHN	National Mortgage Credit Bank
CICIG	International Commission Against Impunity in Guatemala
CIG	Chamber of Industry
CLA	Collaborating, Learning and Adapting
CONALFA	National Committee for Literacy
COSAMI	Cooperative in .... Member of MiCoope
DCA	Development Credit Authority
DQA	Data Quality Assessment
ECLAC	Economic Commission for Latin American and the Caribbean
ECs	Economic Corridors
EFTP	Technical and Vocational Education and Training
FUNDAP	Foundation for the Development of Integrated Socio-economic Programs
GDP	Gross Domestic Product
GoG	Government of Guatemala
FENACOAC	National Federation of Savings and Credit Cooperatives
FIs	Financial Institutions
ICMA	International City/ County Management Association
ILO	International Labor Organization
IMCM	Municipal Capacity Assessment tool
INTECAP	Technical Institute of Training and Productivity
IPE	National Investment Promotion Entity
JUNKABAL	JUNKABAL Foundation, an institute for higher education and training for girls
KINAL	KINAL Foundation, an institute for higher education and training for boys
LTTA	Long-term Technical Assistance
MARN	Ministry of Environment and Natural Resources
MCC	Millennium Challenge Corporation
MDPs	Municipal Development Plans/ Planning
MINECO	Ministry of Economy
MINEDUC	Ministry of Education
MINFIN	Ministry of Finance
MINTRAB	Ministry of Labor
MiSMEs	Micro, Small and Medium-sized Enterprises
NGO	Non-governmental Organization
OCA	Organizational Capacity Assessment

PACIT	Commercial Attaché Investment and Tourism Program, of the Foreign Ministry
PGN	Attorney General of Guatemala
POTs	Land-use Plans/ Planning ( <i>Plan de Ordenamiento Territorial</i> )
PRONACOM	National Program of Competitiveness
SMEs	Small and Medium-sized Businesses
RFP	Request for Proposal
ROSDE	Registry of Business Development Service Providers
SEGEPLAN	Presidential Planning and Programming Secretariat
STTA	Short Tern Technical Assistance
TA	Technical Assistance
TVET	Technical Vocational Education and Training
VESTEX	Association of the Textile and Clothing Industry



## INTRODUCTION

The USAID | Guatemala Creating Economic Opportunities Project (“the Project”) entered its second project year in October 2018. The first quarter of FY19 was primarily one of growth and consolidation, with expansions in the project team and number of companies working with the project to improve operations, access financing, and broaden their markets. Building on the foundations established in Year I, the Project is advancing in the development of investment promotion capacity, rapidly facilitating productive linkages between small businesses and financial institutions, taking the concrete steps to define and promote viable infrastructure projects where they are most needed, and implementing the dozens of business improvement plans with partner enterprises.

## PROJECT DESCRIPTION

The Project is a 5-year, broad-reaching activity designed to spur productive economic activity in and beyond Guatemala’s capital city. In addition to the department of Guatemala, the Project focuses on private sector-led growth in five departments in Guatemala’s *Altiplano* region, including Quetzaltenango, Huehuetenango, Totonicapán, San Marcos, and Quiché.

With the overarching objectives of generating 50,000 new jobs, facilitating \$75 million of foreign and domestic investment, and mobilizing more than \$60 million in financing to SMEs, the Project is designed to harness drivers of economic growth, including domestic and international businesses in priority sectors and infrastructure developers. At the national level, the Project is developing and launching substantial investment and export promotion campaigns, and in target geographies developing the critical infrastructure and service platforms to attract investment and spur growth. These will be vertically linked through market-based alliances with universities and Technical Vocational Education and Training (TVET) providers for workforce development, and with Small and Medium Enterprises (SMEs) to serve as distributors and suppliers to larger enterprises. In the focus departments, the project supports the development of an enabling environment that facilitates skill acquisition, entrepreneurship, and SME growth. Through strategic platforms for financial facilitation, the project enables enterprises of all sizes to access the capital they need to build their businesses and create jobs. The Project is structured with four integrated Components, each of which contributes to core Project results indicators:

- *Component 1: Trade and Investment Promoted* is focused primarily on activities that contribute to increased foreign and domestic investment, which in turn contribute to increased employment.
- *Component 2: Financial Services Mobilized* is focused on increasing the number of firms receiving financing and expanding the total value of financing provided to SMEs.
- *Component 3: Productive Infrastructure Upgraded* is focused on increasing the total value of investment directed toward productive infrastructure projects and improving municipalities’ capacity to identify and manage the development of infrastructure projects.
- *Component 4: Private Sector Competitiveness Improved* focuses on the firm-level indicators that will also contribute to increased investment and jobs growth. This will increase the number of private sector enterprises with improved management capacity or technologies, growing the number of supply chain linkages between SMEs and “anchor firms,” and increasing companies’ sales into local and international markets. Under its workforce development efforts, the project also increases the number of Guatemalans with new or improved jobs and expands the number of Guatemalan youth participating in workforce development programs.

The project also includes cross-cutting functions, including activities to support the integration of gender and inclusiveness into project activities, communications and outreach, and ongoing monitoring, evaluation, learning, and reporting of project results.

## HIGHLIGHTS AND ACHIEVEMENTS FROM THE QUARTER

Key achievements of the quarter include:

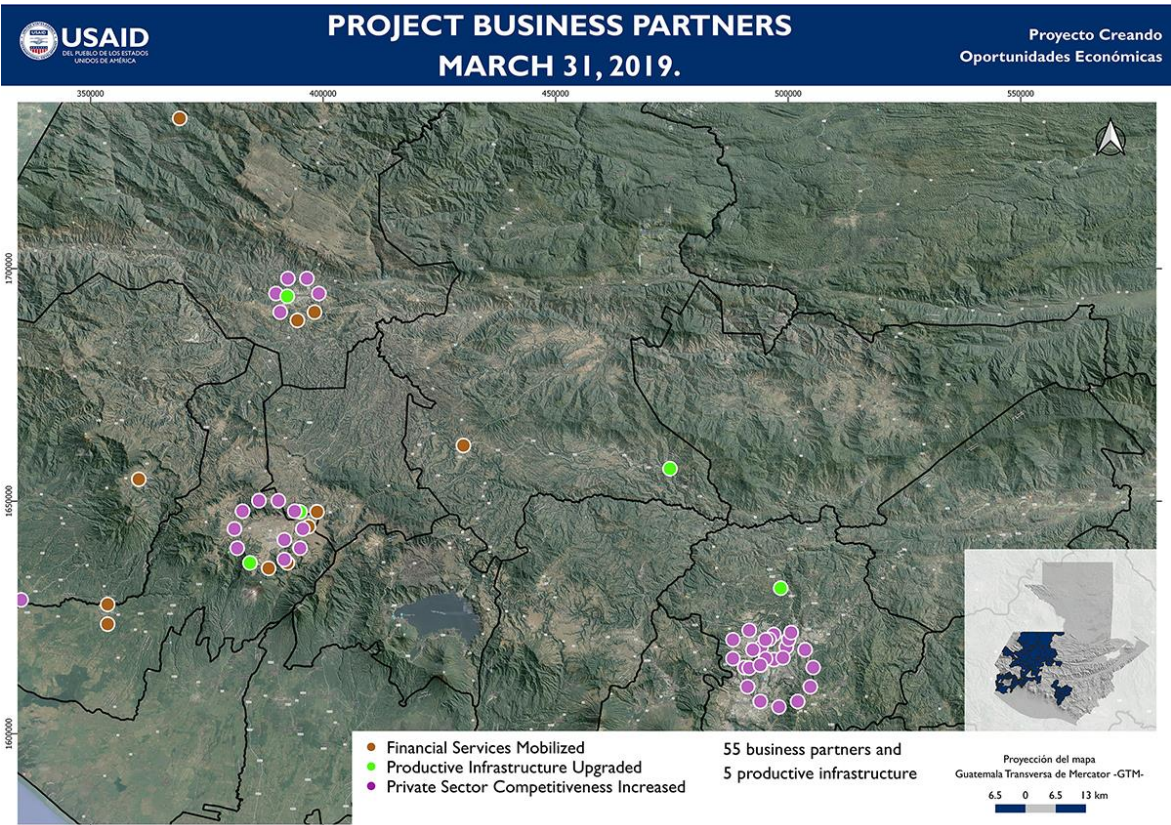
- \$4M in Foreign Direct Investment, through Project ally POMONA Impact Fund II, which come from investment fund funds and multi-lateral organizations. With these letters of commitment, POMONA IMPACT expects to close this first \$15M fund in June;
- \$4.81M in Domestic Direct Investment, through investments in four businesses in land, buildings or machinery which are part of their growth plans; Project support included technical financial assistance to these businesses to deliver financially sound proposals for financing to financial institutions which subsequently offered these businesses this financing
- \$3.09M of capital investment in three SMEs in project geographies to strengthen operations;
- 57 allied businesses with approved Letters of Intent and action plans for business growth (see summary table below with projections); 54 of which have already received some technical assistance, 33 during the quarter;
- An MoU with JUNKABAL, an educational and training institute for girls and women in Guatemala City, to train 150 girls in high-demand skills and place 120 in full time work; and
- 8 employment fairs and mini-fairs in the quarter offering 3,526 jobs, with participation of 4,096 youth; and 103 jobs confirmed this quarter

*Table 1 Allied Businesses Pipeline, March 31, 2019, by Economic Sector*

Economic Sector	Economic Sub-sector	Est. New Jobs	Est. New Sales (\$)	Est. Financing Required (\$)	Est. Investment (\$)
<b>Commerce</b>	<b>Bookstore</b>	100	2,500,000		900,000
	<b>Pharmaceutical and cosmetics</b>	324	8,368,696	47,000	1,699,699
	<b>Wholesale and retail</b>	370	54,818,182	9,740,260	9,740,259
<b>Education &amp; Training</b>	<b>Education</b>	30	467,532	1,948,052	1,948,051
<b>Manufacturing</b>	<b>food and drinks</b>	1402	95,888,518	3,846,297	22,985,974
	<b>Furniture and Wood products</b>	27	1,139,583		142,659
	<b>Handmade Goods</b>	280	2,170,051		390,032
	<b>Leather goods</b>	22	1,285,714	441,558	441,558
	<b>Pharmaceuticals</b>	116	1,875,000		1,500,000
	<b>Recycling</b>	2	35,000		6,150
	<b>Snacks</b>	10	160,000		35,000
	<b>Textiles and Clothing</b>	147	9,298,409	389,610	4,569,610
<b>Services</b>	<b>Construction</b>	205	6,600,800		405,000

Economic Sector	Economic Sub-sector	Est. New Jobs	Est. New Sales (\$)	Est. Financing Required (\$)	Est. Investment (\$)
	Food and drinks	344	1,413,000		1,361,800
	Health	130	4,233,640		1,904,673
	ICT	59	1,846,600		170,049
	Mechanics	16	579,950		81,600
	Textiles and Clothing	80	300,000		30,500
	Tourism	215	6,288,842		1,397,342
	<b>Grand Total</b>	<b>3879</b>	<b>199,269,518</b>	<b>16,412,777</b>	<b>49,709,960</b>

Figure 1. 55 Allied Businesses to March 31



COLLABORATION AND COORDINATION WITH USAID

The Project was engaged this quarter with USAID, with other projects and with other agencies in reflecting on and promoting issues relevant to transforming economic performance in target geographies.

- Visit by USAID Indigenous Peoples Issues Adviser Brian Keane in Huehuetenango February 12 including meeting indigenous leaders of the 1,800-Joya Hermosa Cooperative, and listening to their economic experiences and challenges in a region with high migration rates

- Presentation of Project and partners to a Congressional Delegation in Guatemala City February 16, highlighting project interventions and innovations in target geographies, through partners Valentine Program, a capacity building agency focused on technological skills for youth; Bitmec an online platform bringing live health service support to rural communities via tablets; and KINGO a company bringing electricity to remote areas, through solar panels.
- Participation in a UN Women-led International Women’s Day panel in Guatemala City March 7, highlighting project efforts promoting women’s economic empowerment. Through the Gender and Social Inclusion Strategy, the Project is partnering with women-led businesses and cooperative associations to strengthen their competitiveness, facilitate access to new markets and improve access to financing for expansion of their businesses.
- Support for USAID’s Puentes Project through two employment fairs in Huehuetenango and Quiché at which youth participating in vocational and other training programs could apply for jobs.
- Finally, the Project supported an innovative two-day event in Guatemala City led by *GuateMaya Artesanal* to bring together international and national clothing designers with local handmade textile producers. The project provided logistical support for local artisans to come to the event from outlying departments.



GThompson/ Photo

Project Chief of Party Melani Schultz presents the Project’s strategies to strengthen women’s economic empowerment, through boosting competitiveness and capacity, linkages to large value-chains like those of Walmart, and promoting gender equality in the workplace.

## I TRADE AND INVESTMENT PROMOTED

### I.1 SUPPORT FOREIGN AND DOMESTIC INVESTMENT PROMOTION

The Project advanced in implementation of its strategy to install and build capacity in an Investment Promotion Entity (IPE) team, in the advancement of a prioritized list of policy reforms to improve the business enabling environment that will be agreed with the new government representatives and included in the next work plan.

#### I.1.1 DEFINE AND IMPLEMENT AN INSTITUTIONAL FRAMEWORK FOR INVESTMENT PROMOTION

After Q1 advances in organizing the Investment Promotion Entity (IPE) in collaboration with other agencies such as the Economy Ministry, the IPE team was re-structured slightly this quarter. Five members were identified in the Project central office (Market Intelligence, Facilitation and 3 promoters) and two people each in both regional offices, with one more pending in each regional office.

Two Regional Agencies for Competitiveness and Investment are being developed in Quetzaltenango and Huehuetenango which are conceived as a territorial extension of the IPE, and will eventually be transitioned into local partner offices. The Project is in discussions with MinEco and PRONACOM to identify the partner organization. One investment opportunity has been identified by the team in Quetzaltenango: a potential hotel within a new shopping center in Quetzaltenango.

In March, a series of workshops was held with key stakeholders to build consensus around opportunities to advance an investment promotion agenda. International investment promotion consultant Jorge Gottret introduced concepts of national investment promotion strategies and best practices from around the region and around the world in four workshops in Guatemala City, March 5 to 8. Some 38 participants, including senior staff from the Ministry of Economy, National Competitiveness Program, National Network of Management Groups, Chamber of Industry, and Association of Special Economic Zones, among others, took part.

The topics addressed in the four-day workshop included: tendencies and perspectives in development and growth of Foreign Direct Investment (FDI); Guatemala's principal competitors for FDI regionally and globally; significant national investment promotion strategies and policies; best practices in investment promotion; determinants of successful Investment attraction; and business strategies which support attraction of FDI.

'This is just the first step in a national effort, coordinated between the public and private sectors, and with civil society and academics'

*Francisca Cárdenas, PRONACOM  
executive director*

The workshops were replicated the following week in Quetzaltenango and Huehuetenango with the active participation of 74 public and private sector leaders. In this regional context, participants discussed the need for economic diversity to be able to participate in global value-chains, and the comparative advantages that the western departments have, such as climate and proximity to markets like southern Mexico.

#### I.1.2 DEVELOP, MANAGE, AND FACILITATE A PIPELINE OF INVESTMENT OPPORTUNITIES

With the addition of two Senior Investment Promoters to the IPE team, three initial investment attraction strategies have been identified as potential investment opportunities: Mexican investments in agro-

industrial production; Asian investment in textile production and export; and Israeli investment in tourist infrastructure and financial platforms.

Meetings with officials at the Israeli-Latin American Chamber of Commerce were held to begin to explore opportunities which are already being articulated between the Government of Guatemala and Israel. At these meetings, additional interests were identified in vegetable processing and textile manufacturing. Follow-up meetings are to be held next quarter.

At a meeting with British investors, the Team presented the project, and opportunities in key sectors in target geographies, including developing Special Economic Zones (SEZs). Follow-up is scheduled with the international engineering consulting firm, BuroHappold.

### 1.1.3 SUPPORT DEVELOPMENT OF INDUSTRIAL ZONES AS INVESTMENT DESTINATIONS

The Project facilitated collaboration and coordination with the Special Economic Zone Working Group to advance regulatory reform for Special Economic Zones (SEZs) this quarter. During several meetings, representatives from the ministries of economy and labor, Superintendence of Tax Administration and the Competitiveness Commissioner, with representatives of the private sector agreed that a new law could help promote a number of investment and employment promotion issues, including the reforms to how SEZs are managed.

The project has offered to provide technical assistance to draft the Bill. Advances are expected next quarter.

As a result of a roundtable discussion on the business environment in Huehuetenango, a small Special Economic Zone not registered in the Ministry of Economy, was identified outside of *La Democracia*. This 10-hectare site belongs to an association of coffee-growers who are promoting the development of the zone for SMEs specialized in the processing and commercialization of highland coffee. The Association seeks \$3.5M of investment to fully develop the concept.

*Task/Inputs Table 1.1 Support Foreign and Domestic Investment Promotion*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>1.1.1 Define and Implement an Institutional Framework for Investment Promotion</b>					
1.01.01-01	Socialize, validate, and refine proposed institutional design for national IPE	Oct 2018	Mar 2019	Validated proposal for institutional framework to support consensus on approach.	Completed
1.01.01-02	Provide targeted TA and hands-on capacity building to Invest in Guatemala to improve performance	Oct 2018	Sep 2019	Improved performance and capacity of Invest in Guatemala.	In-process
1.01.01-03	Socialize and validate recommendations to guide implementation of ARCIs	Oct 2018	Dec 2018	Finalized, validated proposal for a regional IPE framework linked to the emerging national model	In-process
1.01.01-04	Develop and implement action plans to form two (2) ARCIs	Jan 2019	Aug 2019	ARCIs formed in Quetzaltenango and Huehuetenango	In-process

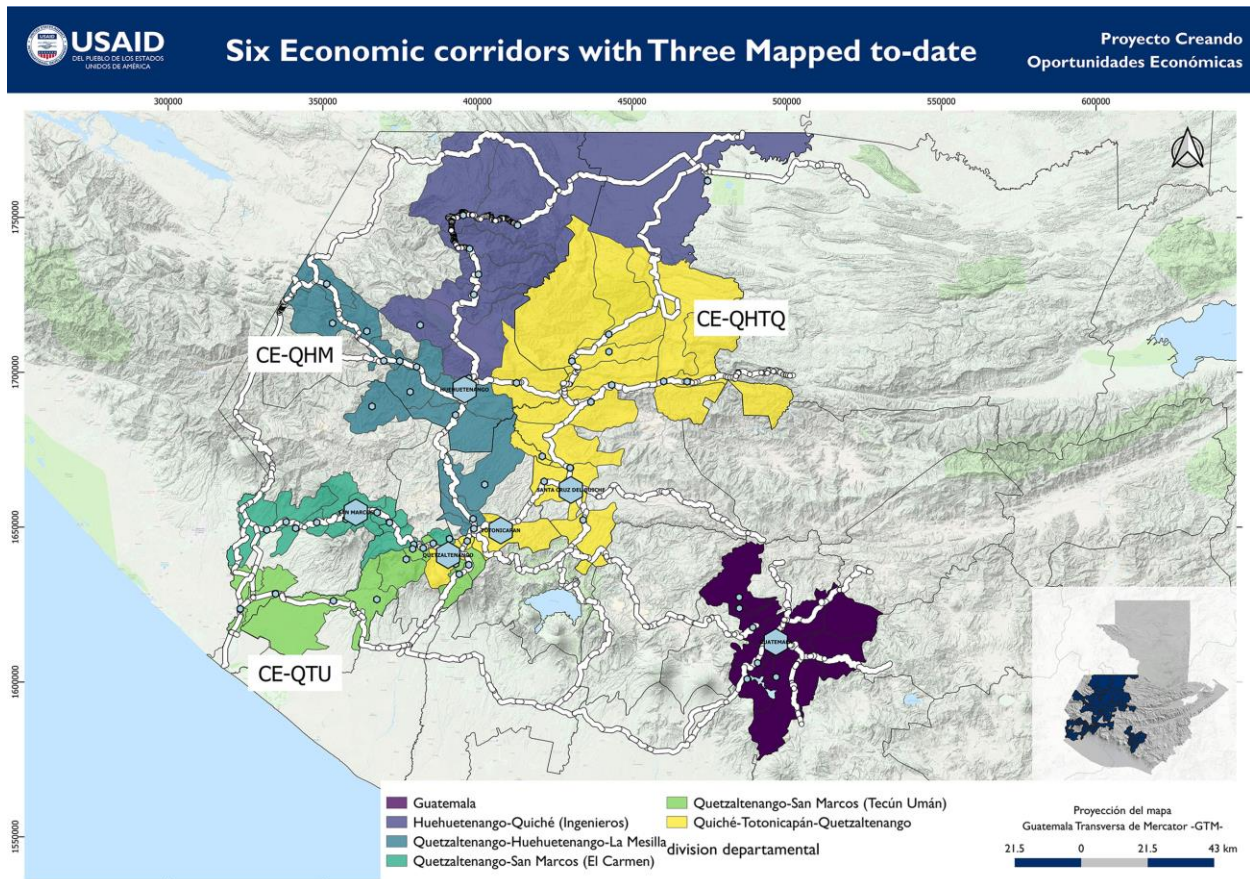
<b>Task No.</b>	<b>Task/Input Description</b>	<b>Est. Start</b>	<b>Est. End</b>	<b>Outcome/Results</b>	<b>Status</b>
I.01.01-05	Conduct up to five (5) regional business roundtables in priority geographies to promote investment	Feb 2019	Sept 2019	Promotion of new business contacts and new business opportunities	In-process
I.01.01-06	Provide TA to develop a revised regulatory framework for Free Zones and identify legal instruments required to implement it	Nov 2018	Jun 2019	Recommendations and regulatory action plan to improve performance/ attractiveness of Free Zones	In-process
<b>I.1.2 Develop, Manage, and Facilitate a Pipeline of Investment Opportunities</b>					
I.01.02-01	Develop an 18-month action plan to stand up and implement investment promotion capacity within the Project, including capacity gaps and mitigation approaches.	Oct 2018	Dec 2018	Definition of functional profiles for investor and strategies to promote a sustainable framework for investment promotion.	In-process
I.01.02-02	Develop targeted investment promotion strategies for three (3) priority sectors	Oct 2018	Feb 2019	Analysis-supported strategies to guide target markets, sectors, value propositions	In-process
I.01.02-03	To implement strategies, design and implement three (3) targeted promotion campaigns aimed at priority sectors/markets	Nov 2018	Aug 2019	Targeted communication campaigns to attract investors in specific sectors	Pending
I.01.02-04	Develop marketing collateral, communications tools, and other inputs to support investment promotion campaigns	Nov 2018	Mar 2019	High quality, targeted messaging, materials, project profiles, etc. to support marketing	In-process
I.01.02-05	Attend two (2) international “Road Shows”/events to promote Guatemala as a destination	Mar 2019	Sep 2019	Market-tested messaging and pipeline generated	Pending
I.01.02-06	Establish a road map to develop the investment promotion capacity within the project.	Nov 2018	Sept 2019	Proactive investment promotion in strategic sectors within the 6 Economic Corridors targeting local, national and foreign investors.	In-process

<b>Task No.</b>	<b>Task/Input Description</b>	<b>Est. Start</b>	<b>Est. End</b>	<b>Outcome/Results</b>	<b>Status</b>
<b>I.1.2 Develop, Manage, and Facilitate a Pipeline of Investment Opportunities</b>					
I.01.03-01	Participate in the <i>XXII Conferencia de zonas Francas de las Americas</i> (1-3 Oct 2018, in Antigua)	Oct 2018	-	Improved familiarity of the team with Zones best practices and market players in the region	Completed
I.01.03-02	Identify leading Zones developers/managers as potential investors in Project ECs	Oct 2018	Mar 2019	A portfolio of potential Zones developers identified and profiled to guide investment promotion activities.	In-process
I.01.03-03	Conduct at least two (2) stakeholder meetings with local authorities, private sector, and civil society to build awareness of Zones model/opportunity	Apr 2019	Sep 2019	Affected local authorities, businesses, and citizens engaged and supportive of potential zones development	Pending
I.01.03-04	Provide technical assistance to support selection of high-potential sites for Free Zones development	Apr 2019	Sep 2019	2-3 promising sites identified and profiled as potential Zones locations	Pending



## I.2 IMPLEMENT ECONOMIC CORRIDOR STRATEGIES TO GUIDE PROJECT ACTIVITIES

Figure 2: Six Economic Corridors with Three Mapped to-date



### I.2.1 DEVELOP AND IMPLEMENT ECONOMIC CORRIDOR STRATEGIES

During the quarter, the Project developed a draft assessment of the Quetzaltenango-Huehuetenango/La Mesilla Economic Corridor (CE-QH/LaMesilla) and began the assessment of the Quetzaltenango-Totonicapán-Quiché Economic Corridor (CE-QTQ). The analysis looked at productive sectors in the region, how businesses work, labor conditions, risks for investment and productive infrastructure investment. Visits to municipalities, 21 interviews with key stakeholders and four focus groups with 43 business leaders were part of the investigation.

One of the key findings of the La Mesilla assessment was the potential of the services sector: with commerce focused in La Mesilla and *La Democracia* on the Mexican border; and more specialized services in Salcajá. The main industry employer is coffee, which could generate more employment if processing and roasting were implemented locally. In terms of industrial production, *San Francisco El Alto* and *San Cristobal Totonicapán* both demonstrated high levels of manufacturing in textiles. The municipality of San Francisco estimates the value of the local textile industry at Q10M per week – a significant driver of the economy in the whole corridor. Finally, construction was noted as significant, in large part driven by high flows of remittances to the department – second only to Guatemala. The construction sector is worth about \$485M.

Productive infrastructure potential projects were identified in the assessment: a regional airport in *Malacatancito* (\$8.5M investment sought); construction of an industrial zone in *La Democracia* near the

Mexican border (\$7.8M); improvements to the main highway between Cuatro Caminos and Huehuetenango (\$25M).

During the quarter, the Investment Promotion Unit continued to gather data on businesses in more than 30 municipalities in three Economic Corridors using the smartphone-based application, Kobo Collect. The technology allows sophisticated visual depictions of businesses, value-chains, infrastructure and other economic variables to be brought together in more complex economic pictures of the territory. Almost 2,400 businesses have been identified; almost 200 medium-sized or large; and more than 1,000 in the service sector, as can be seen in the two tables below.

*Table 2 Distribution of 2,397 mapped businesses by size of business and by sector, in two Economic Corridors*

Distribution of 2,397 mapped businesses in two Economic Corridors					
	Large	Medium-sized	Small		Totals
Size	39	157	2,201		2,397
	Services	Industry/ Manufacturing	Agriculture	Other	Totals
Sector	1,061	258	47	1,031	2,397

With completion of four of the six corridor activities, the majority of economic productive areas in the country will be covered. The project has also evolved in its identification of companies and productive infrastructure projects. This has reduced the need for this type of detailed study. Therefore, Activities 1.02.01-03 and 1.02.01-04 are to be eliminated.

## 1.2.2 DEVELOP AND SUPPORT STAKEHOLDER COORDINATION FRAMEWORKS IN TARGET ECS

Action Plans to build capacities in the Departmental Competitiveness Roundtables are pending next quarter.

*Task/Inputs Table 1.2 IMplement Economic Corridor Strategies to Guide Project Activities*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>1.2.1 Develop and Implement Economic Corridor Strategies</b>					
1.02.01-01	Quetzaltenango-S. Marcos-Tecún Uman	Oct 2018	Dec 2018	Identify the economic potential, infrastructure, social, environmental and governance conditions in the ECs to guide all interventions of the Project.	Complete
1.02.01-02	Quetzaltenango-Huehuetenango/La Mesilla	Jan 2019	Mar 2019		Complete
1.02.01-05	Quetzaltenango-Huehuetenango-Totonicapán-Quiché	Apr 2019	Jun 2019		In-process
1.02.01-06	Guatemala	Jul 2019	Sep 2019		In-process
<b>1.2.2 Develop and Support Stakeholder Coordination Frameworks in Target ECs</b>					
1.02.01-01	Assess current capacity of existing Mesas in target cities	Jan 2019	Mar 2019	Diagnostic of each Mesa. In terms of membership, strengths, capacity gaps and member's expectations (survey) prepared.	Completed

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>I.02.01-02</b>	Develop capacity strengthening action plans for <i>Mesas</i>	Apr 2019	Jun 2019	Plan to increase membership, support local economic and competitiveness processes and projects developed and approved.	Pending
<b>I.02.01-03</b>	Implement capacity strengthening plans for <i>Mesas</i>	Jun 2019	Sep 2019	Local private and public sectors converge in the <i>Mesas</i> to improve competitiveness to attract national and foreign investment. Strategic support for CEs diagnostic, design and implementation of action plans provided. Portfolio of investment opportunities identified and profiled.	Pending

### I.3 IMPROVE THE ENABLING ENVIRONMENT

During the period, advances have been made in regulatory and legal reform which will improve Guatemala's business enabling environment, especially in terms of the ProGuatemala Bill, and a new Bill on Investment and Commerce, which includes reforms to the regulations for Special Economic Zones (SEZs). The Project's role in these two cases was to promote best practices in investment promotion from other countries through a seminar presentation to key stakeholders including Congress Deputies March 7. Consultant Jorge Gottret shared evidence of how institutionalization of investment promotion strengthened national programs in different countries around the world to attract investment and promote trade. ProGuatemala Bill received its second reading March 20.

The Project continues to work closely with the Ministry of Economy to promote awareness and utilization of GuateCompras to facilitate SMEs as State Contractors and trained 354 people in the opportunities for SMEs and benefits to local economies of this platform.

Finally, the Project presented the results and recommendations of a consultancy for the Ministry of Environment to reduce wait times and bureaucratic steps for two low impact environmental processes known as category C and CR approvals.

#### I.3.1 PROVIDE TARGETED TECHNICAL ASSISTANCE TO SUPPORT POLICY DEVELOPMENT AND REFORMS

The Project hosted two events in the quarter to gather information on business enabling factors in the region. Previous discussions on business enabling environment reforms were taken into consideration in particular in discussions to prepare for the collaboration with Babson College/FUNDESA Scalerator Program. The first was held in Huehuetenango March 20 and brought together business and local government leaders to assess the current business climate, identify key obstacles to business expansion, and prioritize actions which would change the situation most. Participants identified poor road infrastructure, high cost of electricity, and informality as characteristics of the economy in the area. High production costs, limited coordination among businesses and poor infrastructure counted as the key

obstacles. Expansion of the main highway to four lanes, decentralization of bureaucratic procedures and regulation of commercial business were identified as opportunities to move forward. In Quetzaltenango March 29, some 40 business and local leaders met for the same purpose, and many of the same ideas came to the fore.

At the end of the workshops, these were the top five priorities identified:

- Huehuetenango: Strengthen local competencies; develop land-use planning tool; organize enterprise-owners; facilitate access to credit; create another bus terminal in the city
- Quetzaltenango: regulate informal commerce in terms of taxes; security; improve infrastructure; support entrepreneurship laws; professionalization of staff

During the quarter, advances were made in two key legislative areas: ProGuatemala Bill; and the new Bill for Investment and Employment:

- **ProGuatemala Bill:** The Bill passed its second reading in Congress in March and is now waiting to be put on the legislative agenda for the third and final reading. As part of the support for this initiative and taking advantage of the visit to the country of international investment promotion consultant Jorge Gottret, the Project organized an event March 7 in which Gottret could share best practices in investment promotion structures and strategies from around the region and the world. Congress Deputies, including members of the Economic Commission, were invited along with representatives from the Ministry of Economy and key private sector entities.
- **Proposed bill on investment and trade promotion (no official name yet):** The project supported a process in which different public and private sector interests were able to come together to identify a route to regulatory and legal reform for Special Economic Zones (SEZs) among other initiatives to promote investment. With support of the Ministries of Economy and Labor, the Competitiveness Commissioner, the Superintendent of Tax Administration, and AGEXPORT, the Project will hire a consultant to draft the text of the Bill.
- **ILO Convention 175 on Part-time Work:** Governmental and ministerial initiatives to promote regulation of this already-ratified international convention have not prospered yet. The Project continues to promote the modernization of regulations on part-time work through two paths: support for the Congressional Labor Commission as it processes its own Bill; support for private sector initiatives to raise awareness about the need for reform among political leaders.
- **ILO Convention 169 on Indigenous and Tribal Peoples:** This quarter, the Project is hiring a consultant to conduct a review of the gaps and opportunities between the ILO Convention expectations for community consultations, and existing national regulations and law. The consultancy, which is expected to be complete by mid-to-late August, will also recommend a methodology to implement consultations at national and regional levels.

*Table 3 List of most important regulatory reforms supported actively by the Project this Quarter*

Legal Reform	Intervention			Stakeholders	Objective
	Monitor	Support for Adoption	Technical Assistance		
Bill on investment and employment	X		X	USAID, AGEXPORT, SAT, MinFin, MinEco, Congress	Develop a bill which can pass by June 2019

Legal Reform	Intervention			Stakeholders	Objective
	Monitor	Support for Adoption	Technical Assistance		
ProGuatemala	X	X		MinEco, PRONACOM, Key Stakeholders Committee	Approval of the bill this year
ILO 169			X	MinTrab	Assessment and methodology prepared
ILO 175	X		X	MinTrab	Regulatory reform from either Govt., Ministerial Agreement or Law

In terms of collaboration with a Ministry of Labor communications campaign to reduce migration and highlight employment opportunities, the Ministry has been focusing on other priorities over the last few quarters. In addition, the support that the Ministry has requested from the project has focused on other areas of support. Therefore, this activity is currently not a priority of the Ministry. It can be reactivated if and when the Ministry identifies it as a need and a priority. Therefore, Activity 1.03.01-03 will be eliminated.

In terms of the issue of Double Taxation through the Ministry of Finance, this is no longer a priority for the Government. Therefore, Activity 1.03.01-06 will be eliminated.

The project’s theory of changes is rooted in the idea that migration can be reduced, or rootedness, increased through local economic growth based on the creation of jobs in the areas with the highest propensity to migrate. Based on this idea, the project proposes to identify data that can be used to more accurately reflect this tendency. Therefore, Activity 1.03.01-07 will be added.

**1.3.2 BUILD GOG CAPACITY AROUND GUATECOMPRAS**

The Project continued to work closely with the Ministry of Economy, Vice Ministry of Micro, Small and Medium-sized Enterprises (SME) to implement workshops to promote the online platform GuateCompras, and the benefits and opportunities for SMEs as State contractors. Within project geographies, it is important to promote all the opportunities which SMEs have to find clients of all kinds for their products, and in many municipalities, government agencies continue to be significant players in local economies.

The project has four phases: building capacities within the MinEco team to promote GuateCompras; raising awareness and understanding about the program among SME owners; raising awareness and understanding among government agency purchasing department heads; and finally, promoting SME registration in the online General Registry for State Acquisitions (RGAE in Spanish).

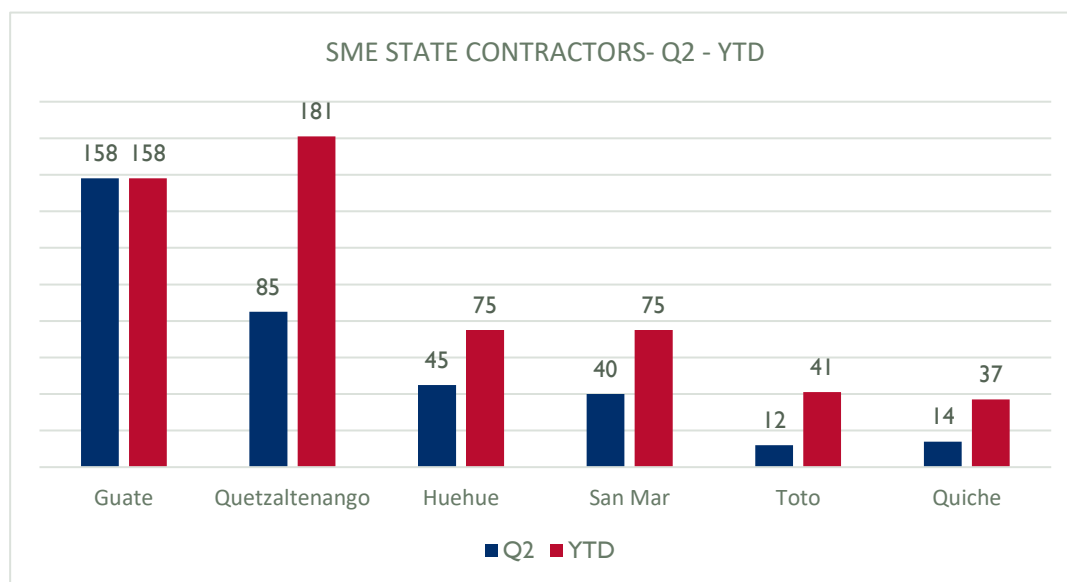
This quarter, the Project supported phases two and three, firstly by helping MinEco revise training plans for both SME and government agency audiences, so training would be aligned to new requirements of the RGAE. Thirteen workshops were implemented in the quarter with 354 participants (46% women): seven for SMEs in the departments of Guatemala (3), San Marcos, Quetzaltenango, and Huehuetenango; and six for Government purchasing department staff in Guatemala (2), San Marcos, Quetzaltenango, Huehuetenango and Quiche. In these workshops, 46% of participants were female and 54% male.

Below is a table outlining the trainings provided in collaboration with the Ministry of Economy, showing participation by different key stakeholders.

Table 4 Summary of Project capacity building in GuateCompras opportunities in each Quarter, and Year-to-date

Quarter	SME Participation	Municipal Official Participation	Other Stakeholder participation	Totals
Q1	146	23	44	213
Q2	208	86	60	354
<b>Total</b>	<b>354</b>	<b>109</b>	<b>104</b>	<b>567</b>

Figure 3 Participation in GuateCompras workshops by Department and participant sector



More workshops are planned for project partners and for companies that already participated in the first round of workshops. Companies that participated already will be offered some more specific training to further develop their ability to sell goods and services to the State.

### 1.3.3 SIMPLIFY GOG PROCEDURES TO PROMOTE SME ACCESS TO SERVICES

The Project finished Phase I of a three-phase program to facilitate more effective and efficient processing of environment authorizations from the Ministry of Environment and National Resources (MARN in Spanish).

Technical assistance mapped processes to apply for and receive Category C and CR environmental authorizations, which are required for all activities, works, projects or industry which have low environmental impact. Highlights of the technical report, which recommends development and installation of software and an online platform for seeking these specific Ministry authorizations, was presented to the Ministry, and include:

- wait times for category C approvals can be reduced by 96%, and category CR approvals by 60%; in the best-case scenario for category CR, approval time can be reduced from 29 days to one day, and in category C, from 97 to four days;
- the approval process can be optimized by 65% in both cases; from 35 to 12 in the case of category CR and from 42 to 15 in the case of category C; and
- in-person visits to MARN offices can be eliminated for category CR; and reduced to one visit for category C approvals.

The Ministry has agreed to implement improved processes including the online platform. Phases 2 and 3 are set to begin next quarter and include elaboration of software and development of technical and end-user information, test implementation and capacity building of officials and technicians in the two ministries; and finally, dissemination of information about the new systems to the public. The full consultant report and recommendations are under review by ministry officials.

*Task/Inputs Table 1.3 Improve The Enabling Environment*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>I.3.1 Provide Targeted Technical Assistance to Support Policy Development and Reforms</b>					
<b>I.03.01-01</b>	Socialize and build consensus around ProGuate proposal with key stakeholders	Nov 2018	Mar 2019	Key stakeholder consensus on way forward.	Completed
<b>I.03.01-02</b>	Finalize proposal for implementing regulations for Convention 175	Oct 2018	Mar 2019	Regulations for part-time work developed and advancing toward adoption.	In-process
<b>I.03.01-04</b>	Provide Technical Assistance to MINTRAB to support implementation of Convention 169 and make required investments	Jan 2018	Mar 2019	Implementation roadmap in place.	In-process
<b>I.03.01-05</b>	Host four (4) working sessions with GOG stakeholders to support rollout and communication of the SMEs Law	Oct 2019	Mar 2019	Proposed draft bill delivered to Ministry of Economy.	Completed
<b>I.03.01-07</b>	Analyze data related to migration and their relationship to project activities	Apr 2019	Sep 2019	Proposal for methodology to measure impact of project activities on migration	consultants
<b>I.3.2 Build GOG Capacity around Guatecompras</b>					
<b>I.03.02-01</b>	Support MINECO to develop an action plan to strengthen the <i>Guatecompras</i> SME Module	Oct 2018	Dec 2018	Action Plan approved by MINECO and socialized with SMEs.	Completed
<b>I.03.02-02</b>	Provide ongoing support and follow-up to advance implementation of the action plan	Jan 2019	Sep 2019	Module improved for accessibility	In-process
<b>I.03.02-03</b>	Develop a training plan to build municipalities' capacity to use the <i>Guatecompras</i> SME Module	Oct 2018	Jan 2019	More utilization by local governments, increased opportunities for SMEs	Completed
<b>I.03.02-04</b>	Support implementation of the training plan in five (5) pilot municipalities	Jan 2019	Jun 2019	More utilization by local governments, increased opportunities for SMEs	Completed

<b>Task No.</b>	<b>Task/Input Description</b>	<b>Est. Start</b>	<b>Est. End</b>	<b>Outcome/Results</b>	<b>Status</b>
<b>I.3.3 Simplify GOG Procedures to Promote SME Access to Services</b>					
<b>I.03.03-01</b>	Provide technical assistance to GoG institutions to identify, evaluate, and improve specific processes	Oct 2018	Aug 2019	6 processes identified and at least 3 processes improved and implemented.	In-process



## 2 FINANCIAL SERVICES MOBILIZED

### 2.1 INCREASED ACCESS TO FINANCIAL SERVICES THROUGH FINANCIAL EDUCATION IN TARGET GEOGRAPHIES

The Project provided financial technical assistance to 13 new SMEs this quarter, bringing to 29 the number of allied businesses who have so far received this kind of assistance. The team is on-track to have 85 SMEs receiving financial technical assistance this year, as the team expands to include the Department of Guatemala next quarter.

#### 2.1.1 DEVELOP AND IMPLEMENT A FINANCIAL EDUCATION PLAN LINKED TO THE NATIONAL FINANCIAL INCLUSION STRATEGY

The Project is in the process of finalizing two grant proposals to submit to USAID for approval to promote financial education in target geographies, as a result of 3 proposals received after publication November 19 of the Request for Applications on the Financial Facilitation Mechanism for Financial Education, Remittances, Savings and Investment (FFM-ERAI in Spanish) The two proposals will promote financial education in 38 municipalities in project geographies and train up to 200,000 people – financial institution clients who receive remittances – and provide information and incentives to take advantage of financial products and services which promote productive investment. The two grants are expected to mobilize \$53M in productive investment over two years - \$32M in savings products and services; and \$21M in other productive investments.

In addition, the Project will strengthen the application of these programs by implementing a consultancy to gather data on client knowledge of access to, utilization of and perceptions about actual financial products and services. Through surveys, in-depth interviews and focus groups, data will be gathered and analysed to develop two strategies: one to develop a pilot project for wider financial education and

#### 2.1.2 DEVELOP THE MARKET OF INVESTMENT FUNDS AND OTHER ENTREPRENEURSHIP SUPPORT MECHANISMS

With the purpose of training 500 entrepreneurs in the opportunities of investment funds and other mechanisms to incubate and accelerate new businesses, the Project has met with representatives of seven educational institutions interested in bringing this training to students. Five-hour workshops to introduce the Guatemalan ecosystem for enterprise development, market demands, and investment options will be offered by Project staff to 500 selected students in campuses in Huehuetenango, Quetzaltenango and Guatemala City beginning next quarter.

*Task/Inputs Table 2.1 Increased access to financial services through Financial education in Target Geographies*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>2.1.1 Develop and Implement a Financial Education Plan Linked to the National Financial Inclusion Strategy</b>					
2.01.01-01	Issue one or more grants to develop and implement a pilot Financial Education Program linked to the NFIS	Oct 2018	Nov 2018	Scope and action plan developed to guide a pilot financial education strategy	In-process
2.01.01-02	Develop and execute a communications strategy to support the Pilot Financial Education Plan/NFIS	Nov 2018	Jul 2019	Expanded knowledge of resources and opportunities associated with financial inclusion	In-process

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>2.1.2 Develop the Market of Investment Funds and Other Entrepreneurship Support Mechanisms</b>					
2.01.02-01	Train 500 entrepreneurs and university students on the offerings/services of TECz4, and investment funds	Jan 2019 (first training)	July 2019 (second training)		In-process
2.01.02-02	Monitoring results of training and channelling on remittances to savings Five (5) external consultants will be hired for follow-up	Jan 2019	Sep 2019	Reports of activities implemented with participants and FIs in target geographies	In-process

## 2.2 INCREASE THE NUMBER OF SMEs PARTICIPATING IN THE FORMAL FINANCIAL SECTOR

During the quarter, the Project has widened its portfolio of financial institutions interested in increasing mobilization of financial products and services to SMEs, in addition to the 11 financial institutions already in negotiations for formal agreements. The team is exploring relations with six banks: *Banco Internacional*; *Banco de Centroamerica* (BAC); FICOHSA; *Interbanco*; *Agro-Mercantile Bank* (BAM in Spanish) and *BanRural International*.

The team is also actively pursuing allied businesses promoting social/ occupational housing projects in target geographies, including two identified this quarter which would increase the housing stock by 400 units in the under-served housing markets in Huehuetenango and Quetzaltenango.

### 2.2.1 BUILD FINANCIAL INSTITUTIONS' CAPACITY TO FINANCE SMES

The Project has continued to advance incentives and mechanisms through which financial institutions can facilitate mobilization of products and services to SMEs in need of access to resources for their expansion plans. The team has provided technical assistance and consultant assistance to help financial institutions promote their credit portfolios with SMEs.

- Technical assistance is being given to GFM Capital, a company with an online platform to facilitate factoring. Factoring is a service which SMEs outside the major urban centers under-utilize.
- Technical assistance for mining institutional data in the MiCoope system to establish the volume of credit linked to the productive sector and value-chain data mining within the 25-member cooperative, with a view to develop a strategy to increase volume of credit for SMEs.

The Project is working with BanRural on a strategy to facilitate the use of 'possessory titles' to mobilize financial products and services for SMEs in target geographies. These titles, based on documented owner-occupancy rather than a nationally registered title, would allow this kind of property owner to access financing which is currently out-of-reach. BanRural, for its wide reach in the country and because of its own Constitution, is the only financial institution which could likely take advantage of this situation for potential clients. The project will provide legal support to develop an institutional strategy by September.

The Central American Bank (BAC) has requested technical assistance to support an application to the Washington-based Overseas Private Investment Corporation (OPIC), a US Government development finance institution. The application is for access to up to \$100M to increase credit offering to SMEs in Guatemala.

In addition, the Project is developing plans to implement four financial fairs in target geographies, to bring together allied businesses with a variety of local financial institutions, so that business owners can have one-on-one discussions with bank managers about financial products and services to help their businesses. The fairs will take place in Guatemala City, Quetzaltenango and Huehuetenango. The first will take place towards the end of June.

Two businesses have been awarded contracts: Business Council for Peace will advise 25 businesses to expand women’s empowerment, create 100 new jobs and generate \$500,000 in new sales; Impact Group Consultancy will strengthen 25 businesses and their value-chains, ensuring increased access to investment of around \$7.5M.

## 2.2.2 IDENTIFY AND SUPPORT DEVELOPMENT OF NEW MARKET OPPORTUNITIES

The Project continue to explore opportunities in project geographies for social and occupational housing as a means to widen the credit portfolios of financial institutions and increase productive investment by families. A financial education strategy aimed at families which receive remittance is identified above.

This quarter, two potential allied businesses are proposing housing developments in target areas to respond to demands for middle-income housing. *Desarrollo de Sur-Occidente* in Quetzaltenango is seeking support to develop a 4538-unit housing project; DISARQO in Huehuetenango seeks technical assistance for a market study, as well as support for planning and design of a 35-unit housing development. When implemented, these will provide 33 permanent jobs as well as 210 during construction; Q8.7M (\$1.1M) in investment; and more than Q59M (\$7.0M) in sales over four years.

The Project is also discussing opportunities with the Industrial Bank (BI in Spanish) to support a recent award of \$150M from OPIC specifically to increase the housing stock in Guatemala.

*Task/Inputs Table 2.2 Increase the Number of SMEs Participating in the Formal Financial Sector*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>2.2.1 Build Financial Institutions’ Capacity to Finance SMEs</b>					
2.02.01-01	Develop and implement TA action plans to improve 2-3 FIs capacity to serve SMEs (cont’d from Y1)	Oct 2018	Sep 2019	Increase the financial resources value flowing to SMEs by \$10 million and entrepreneurs by \$2.5 million	In-process
2.02.01-02	Deliver at up to 4 Financial Services Fairs to link supply and demand	Nov 2018	Sep 2019		In-process
2.02.01-02	Work with partner FIs to develop tailored incentive mechanisms to stimulate SME lending (cont’d from Y1)	Jan-2019	Mar-2019		Pending

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
2.02.01-04	Implement capacity building plans with 2-3 FIs to support adoption of new products/services	Oct 2018	Jul 2019	Three new products implemented (products are: leasing, factoring, possessory titles as a guarantee mechanism) by at least two financial intermediaries	In-process
2.02.01-05	Develop and implement a FinTech adoption at least 1 partner FI	Oct 2018	Jul 2019	Fintech applications implanted by at least one financial intermediary	In-process
2.02.01-06	Evaluate and develop a strategy to leverage <i>possessory titles</i> as a guarantee mechanism for housing and/or SME lending	Jan - 2019	Mar- 2019	Increase housing financing products and SME lending through acceptance of possessory titles as collateral.	Pending
<b>2.2.2 Identify and Support Development of New Market Opportunities</b>					
2.02.02-01	Implement a social/ occupational housing strategy with a system of incentives	Oct 2018	Mar 2019	Portfolio of social and occupational housing loans of at least \$1M	In-process
2.02.02-02	[Continue to] assess market demand and identify market opportunities for enterprise financing in target value chains	Ongoing	Ongoing	Expanded opportunity pipeline for credit and investment financing for FIs and Impact Funds	In-process
2.02.02-03	Develop a base incentive structure for the BDSP financial facilitation program (grant funding)	Oct-2018	Mar-2019	An incentive mechanism for to stimulate IFIs to innovate their offer of financial products and services is established and in operation, allowing them to facilitate financing to SMEs	In-process
2.02.02-04	Provide STTA and/or BDS services to SMEs to increase bankability/ creditworthiness and capacity to access financing	Oct-18	Sep-19	Provide support to firms/suppliers under MOUs/Anchor firm agreements	In-process

## 2.3 INCREASE THE VALUE OF FINANCING AND FINANCIAL SERVICES EXTENDED TO SMES

### 2.3.1 DEVELOP AND DEPLOY FINANCIAL INCENTIVES TO STIMULATE ACCESS TO FINANCE

The Project has three open Financial Facilitation Mechanisms this quarter, to attract grants proposals and implement projects which will transform the way financial institutions in target geographies work with SMEs.

- The first is to stimulate \$25M in new financing for SMEs and their value-chains and was published October 8. Four institutions have expressed interest in the grant – BanRural, Banco Industrial, Banco de America Central and ProAmerica.
- The second is to promote financial education and was published January 25 – see section 2.01.01-01 above for more information.
- The third was published February 4 for Business Development Service Providers (BDSPs) for Financial Technology grants to facilitate operations and/or lower transactions costs of financial institutions, which will facilitate greater offer of services for SMEs. Four proposals have been received and are being reviewed: a virtual health service provider and others that offer online connections between business owners who want financial services, and individuals and companies who can provide them.
- Additionally, one application was received in December to create a virtual application for financial institution management of external financial agents. This application will streamline management of these dispersed agents and their operations.

### 2.3.2 SUPPORT THE ESTABLISHMENT AND EXPANSION OF INVESTMENT FUNDS

Promotion of investment funds by the Project this quarter has advanced through two events.

The first was the ‘Sustainable Capital’ seminar for 14 representatives of Family Offices and high net-worth individuals. The two-day event offered an introduction to the benefits and opportunities of investment funds in Guatemala, and a series of practical seminars for fund managers on how investment funds work. The seminars were led by international experts in investment funds: Capria Global Investments Founder Will Poole, Eco-Filtro President Philip Wilson; and José Alfaro from Ernst and Young. The Project presented three high-potential impact investment funds who are partners: POMONA Impact; *Asociacion Guatemalteca de Venture Capital (AGVC)*, and Mosto.

‘Impact investment manages to do useful things for society and is also profitable’

International investment fund expert Will Poole

The second event, March 7, brought an investment fund and an international expert from Colombia. Representatives of five Family Offices came to listen to Felipe Zarate of the Private Venture Capital Fund (FCP in Spanish).

The project has also provided technical advice to the Bank of Central America (BAC) to develop a working plan to access Development Credit Authority (DCA) credits. Through a series of virtual workshops, BAC staff are mastering a technological tool to register loans covered by DCA guarantees. With another institution, ProAmerica Bank, the Project is providing support to develop internal manuals and procedures to be able to manage DCA credits. These two financial institutions are currently the only ones in Guatemala which can access DCA credits.

POMONA Impact Fund II now has \$9.2M; another two investors are interested in investing another \$6M, which would bring the fund to its \$15M close and allow disbursement of funds to targeted enterprises and businesses.

### 2.3.3 CAPITALIZE COMMERCIAL BANKS AND INVESTMENT FUNDS

This quarter, to the project is strengthening the legal and structural framework of operating investment funds. The project is working on a report with recommendations for POMONA Impact to set up its

operations and a similar document for AGCV and its technology center and investment fund project in zone 4.

Mezzanine financing is a structure of subordinated debts, with or without mortgage guarantee and with grace periods, which allows businesses to keep cash (liquidity) and use it for business growth. The main feature of the mezzanine product is flexibility, and, when used in combination with traditional debt, reduces the need for greater shareholder investment and significantly improves its return. Because it is a hybrid instrument, and better suited for long-term investments, this vehicle offers good protection in times of liquidity shortages. The Project solicited proposals to structure mezzanine financing for SMEs in target geographies. Selected proposals would combine to offer mezzanine financing to 35 SMEs starting in the next quarter.

*Task/Inputs Table 2.3 Increase the Value Of Financing and Financial Services Extended to SMEs*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>2.3.1 Develop and Deploy Financial Incentives to Stimulate Access to Finance</b>					
2.03.01-01	Issue 2-3 Financial Facilitation Mechanism Grants to FIs to stimulate credit to SMEs	Nov 2018	Sep 2019	The credit portfolio of banks in the Project grows by \$12.75M	In-process
2.03.01-02	Leverage financial education advisors network built under Task 2.01.01-01 to implement financial facilitation program for independent financial advisors	Jan 2019	Jun 2019	50 SMEs have access to a network of Financial facilitation consultants.	In-process
2.03.01-03	Develop incentives strategy and mechanism to facilitate FinTech adoption	Jan 2019	Mar 2019	Banks, Other FIs increase adoption of FinTech, and thereby reduced their costs.	In-process
<b>2.3.2 Support the Establishment and Expansion of Investment Funds</b>					
2.03.02-01	Identify and build knowledge of select family business/high-net worth individuals on managed-fund investing	Oct 2018	Dec 2018	Stimulate capital flow into Impact Funds	In-process
2.03.02-02	Provide technical assistance and other support to facilitate DCA and other guarantee mechanisms for FIs and eligible funds	Oct 2018	Sep 2019	Two concept papers for DCA guaranties delivered.	In-process

<b>Task No.</b>	<b>Task/Input Description</b>	<b>Est. Start</b>	<b>Est. End</b>	<b>Outcome/Results</b>	<b>Status</b>
<b>2.03.02-03</b>	Provide TA and other assistance to impact funds to identify and evaluate investment opportunities	Oct 2018	Sep 2019	Pipeline of potential opportunities for funds increased and more efficiently evaluated	In-process
<b>2.03.02-04</b>	Provide technical assistance to Impact Funds to evaluate and select optimal structure and operating models to operate in Guatemala	Oct 2018	Mar 2019	Fund(s) structured in a compliant, stable way, aligned to Guatemalan and international practices	In-process
<b>2.03.02-05</b>	Provide technical assistance and other support to finalize and implement 4 grados norte TEC innovation fund/center	Oct 2018	Dec 2018	Completed legal, operational and financial design for the Center and Investment funds	In-process
<b>2.3.3 Capitalize Commercial Banks and Investment Funds</b>					
<b>2.03.03-01</b>	Provide TA to analyze capital demand within Guatemalan banks and other financial services organizations	Jan 2019	Mar 2019	IFIs with refinancing mechanism to identify capital needs	In-process
<b>2.03.03-02</b>	Attract national and international investors to impact funds through business meetings and roundtables	Oct 2018	Sept 2019	\$40M committed to impact funds	In-process
<b>2.03.03-03</b>	Develop and facilitate mezzanine products and services for SMEs through the Impact Investment Funds	Oct-2018	Mar-2019	At least 16 businesses in project geographies financed by impact funds, including POMONA Impact Fund II and PyMECapital, with project support	In-process

### 3 PRODUCTIVE INFRASTRUCTURE UPGRADED

The Project continues to identify strategic productive infrastructure opportunities in target geographies. To-date, there are 21 potential productive infrastructure projects in the pipeline; with 10 (of which four are project approved) in the process of creating Project Profiles and five in the process of feasibility studies.

In addition, the team has applied the Municipal Capacity Assessment Tool (IMCM in Spanish) to 21 municipalities, mostly in Huehuetenango, Quiché and Totonicapán, and five municipalities in the Economic Corridor Quetzaltenango-Huehuetenango-La Mesilla were selected for more specialized support bringing the total to nine selected municipalities so far.

#### 3.1 STRENGTHEN LOCAL GOVERNMENT CAPACITY TO IDENTIFY, PLAN, AND IMPLEMENT PRODUCTIVE INFRASTRUCTURE PROJECTS

##### 3.1.1 ASSESS MUNICIPALITIES' CAPACITY AND RESOURCES TO IMPROVE PRODUCTIVE INFRASTRUCTURE

The team applied the municipal capacity assessment tool to 21 municipalities this quarter, finishing the assessment of two more Economic Corridors: Quetzaltenango-Huehuetenango-La Mesilla and Huehuetenango-Ixcán-Ingenieros. As well as reviewing municipal documents such as municipal plans and budgets, the team interviewed 215 municipal staff to gather information on actual capacities, structures and systems, and opportunities to strengthen productive infrastructure. This brings to 36 the number of municipalities assessed for their capacities and experiences in promoting successful productive infrastructure projects.

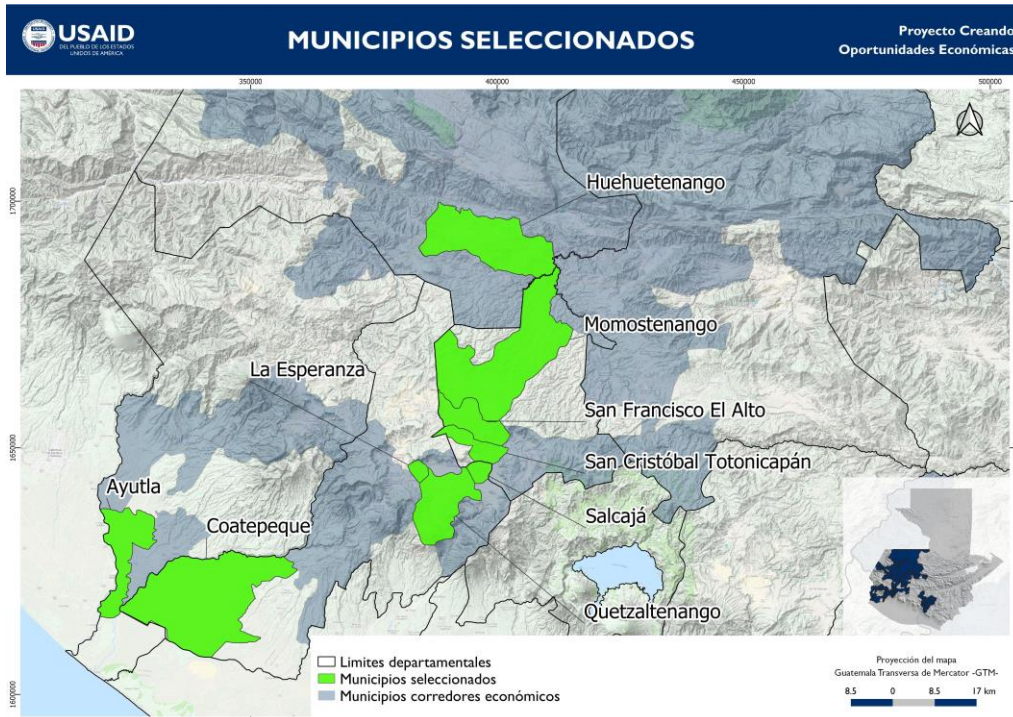
While final reports are still being drafted, some highlights from the La Mesilla Corridor include:

- Salcajá has a Land-use Planning tool (POT in Spanish) and was the second municipality in the country to develop one (after Guatemala City) with the methodology managed by the Presidential Secretariat for Planning and Programming (SEGEPLAN) in 2010.
- San Cristobal Totonicapán has developed and uses a Municipal Planning Department – Land-use Planning tool (PDM-OT in Spanish).
- Four municipalities (Salcajá, San Cristóbal Totonicapán, Malcatancito and San Miguel Ixtahuacán) have Local Economic Development Offices (OMDEL in Spanish); though only those of Salcajá and San Cristobal are functioning well.
- While many municipalities budget and implement infrastructure projects (water distribution systems, remodeling of schools and health clinics, road maintenance), only Malcatancito municipality budgeted significant amounts for infrastructure – 60% of the Municipal Plan 2010-2025.

Five municipalities were selected for more specific strengthening activities: Salcajá, Quetzaltenango; and San Cristobal Totonicapán, San Francisco El Alto and Momostenango, all in the Department of Totonicapán, and in Economic Corridor 2 (La Mesilla); and Huehuetenango in the Department of Huehuetenango, which is in Economic Corridor 3 (Huehuetenango-Ixcán-Ingenieros). The Project will develop Action Plans with each selected municipality to identify capacities which need to be strengthened. This brings the total to nine the municipalities selected in the first two Economic Corridors, as shown below.



Figure 4 Nine Municipalities Selected for Strengthening in Economic Corridors 1, 2 and 3



Municipal assessments continue in the remaining Economic Corridors (3) and are expected to be completed by May.

### 3.1.2 BUILD MUNICIPAL PLANNING CAPACITY

The role of municipal authorities in attracting investment to their territories is crucial – they have a clear role to play in generating a business enabling environment in their municipalities. For this reason, the Project is turning to another municipal development instrument which can strengthen a municipality’s attraction to investors: Local Economic Agenda. This is a tool which is being promoted in the region by the Commonwealth of Los Altos and lays out a roadmap for strategic actions to promote economic growth. Application of the Local Economic Agenda will be promoted in La Esperanza, Quetzaltenango.

Another instrument which is being supported in terms of municipal strengthening in productive infrastructure planning and implementation is the Master Plan for zone 18 in Guatemala City. The municipality has created an inter-institutional technical roundtable, that the Project is helping to coordinate. More than 10 processes and opportunities were identified this quarter from municipalities in target geographies for further review in terms of technical assistance, which are listed below:

Table 5 Potential municipal productive infrastructure planning tools to be strengthened by the Project

Municipalidad	Instrumentos identificados
Villa Nueva y Guatemala, Departamento de Guatemala	Smart City
Huehuetenango, Huehuetenango	PDM-OT
La Esperanza, Quetzaltenango	Agenda Económica Local
La Esperanza departamento de Quetzaltenango y San Cristóbal Tonicapán departamento de Tonicapán	Ventanilla para la Construcción
Mancomunidad Metrópoli de los Altos y municipios seleccionados	Capacitación formulación de proyectos de infraestructura productiva
Mancomunidad Metrópoli de los Altos	Taller de Sistema de Información Geográfica -GIS-
Ayutla, San Marcos	PDM-OT Se avanza en fase I de 3. Identificado en trimestre I
Quetzaltenango, Quetzaltenango	PDM-OT Se avanza en fase I de 3. Identificado en trimestre I
La Esperanza, Quetzaltenango	Smart City. Identificado en trimestre I

In addition, the Project is planning a training program for selected municipalities in management and use of geo-positioning information systems, through a partnership with the Del Valle University. The workshops are expected to begin next quarter.

### 3.1.3 STRENGTHEN MUNICIPAL LINKAGES WITH THE PRIVATE SECTOR

Due to the relation between identification and implementation of productive infrastructure projects, and the role of municipal authorities and private sector companies in bringing to completion important projects, the Project identified the need to promote local economic agendas as a means of bringing public and private sectors closer together. A closer coordination can be promoted through the Regional Agencies for Trade and Investment (ARCI) which are being developed in Quetzaltenango and Huehuetenango.

There has been greater public and private participation in meetings of the five Competitiveness Roundtables in target geographies this quarter, and a greater focus on identifying productive infrastructure projects. Some 18 projects were presented by the Roundtables to the team, and two were selected as potential candidates for further review: both inter-city bus terminals with additional commercial features in Santa Cruz del Quiche and Tonicapán. The two projects would bring \$10.2M in investment and benefit an estimated 228,000 people.

### 3.1.4 IMPROVE THE MUNICIPAL ENABLING ENVIRONMENT FOR PROJECT DEVELOPMENT

The Project was actively engaged with officials from the Ministry of Economy and the Construction Chamber this quarter to reactivate agreements to make the process of obtaining a construction license easier and promote commitments from all sides to move forward. The Project and MinEco will create an Action Plan next quarter which will identify opportunities for consultants to analyze actual procedures for licensing and recommend options for removing bottlenecks.

#### Task/Inputs Table 3.1 Strengthen Local Government Capacity to Identify, Plan, and Implement Productive Infrastructure Projects

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
<b>3.1.1 Assess Municipalities' Capacity and Resources to Improve Productive Infrastructure</b>					
3.01.01-01	Complete selection of ECI municipalities and Guatemala City	Jun 2018	Nov 2018	ECI municipalities selected	Completed

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
3.01.01-02	ICMC assessment of EC2 municipality selection	Nov 2018	Feb 2019	Capacity building plans for municipal planning departments accepted and put into action	In-process
3.01.01-03	ICMC assessment of EC3 and municipality selection	Nov 2018	Feb 2019	Capacity building plans for municipal planning departments accepted and put into action	In-process
3.01.01-04	ICMC assessment of EC4 and municipality selection	Feb 2019	May 2019	Capacity building plans for municipal planning departments accepted and put into action	In-process
3.01.01-05	ICMC assessment of EC5 and municipality selection	Feb 2019	May 2019	Capacity building plans for municipal planning departments accepted and put into action	In-process
3.01.01-06	ICMC assessment of EC6 and municipality selection	Jun 2019	Aug 2019	Capacity building plans for municipal planning departments accepted and put into action	In-process
<b>3.1.2 Build Municipal Planning Capacity</b>					
3.01.02-01	Identify opportunities to strengthen municipal planning tools and processes	Sep 2018	Sep 2019	Pipeline of municipal planning improvement opportunities (at least 10) for year 3.	In-process
3.01.02-02	Develop municipal-level Plans to build planning capacity	Oct 2018	Sep 2019	10 capacity building plans finalized	In-process
3.01.02-03	Implement capacity building plans	Nov 2018	Sep 2019	30 officials trained	In-process
3.01.02-04	Socialize new municipal planning tools and plans with local community and COMUDE.	Jan 2019	Sep 2019	3 completed municipal instruments socialized with community	In-process
<b>3.1.3 Strengthen Municipal Linkages with the Private Sector</b>					
3.01.03-01	Facilitate working sessions between Mesa de Competitividad and municipal authorities in EC1, EC2, and EC3	Jan 2019	Sep 2019	Identify productive infrastructure priorities in EC1, 2 and 3	In-process
3.01.03-02	List of prioritized infrastructure projects for EC1, EC2, and EC3	Jan 2019	Sep 2019	List of at least 5 prioritized infrastructure investment projects in each EC, 15 in total in year 2.	In-process

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
3.01.03-03	Complete pre-investment profiles of prioritized infrastructure projects for EC1, EC2, and EC3	Jan 2019	Sep 2019	15 infrastructure Project profiles developed	In-process
<b>3.1.4 Improve the Municipal Enabling Environment for Project Development</b>					
3.01.04-01	Create Action Plan to support CGC in creation of the ‘One-Stop-Shop’ for construction permitting	Oct 2018	Dec 2018	Finalized action plan for creation of ‘One-stop-shop’ for infrastructure	Pending
3.01.04-02	Provide support to CGC according to Action Plan	Dec 2019	Sep 2019	Tangible progress toward creation of the ‘one-stop-shop’	Pending
3.01.04-03	Refer opportunities to strengthen BEE to CI team	Sep 2018	Sep 2019	Internal referral protocol established	Pending

## 3.2 DEVELOP AND SUPPORT IMPLEMENTATION OF A PIPELINE OF PRODUCTIVE INFRASTRUCTURE PROJECTS

### 3.2.1 IDENTIFY AND DEFINE PRODUCTIVE INFRASTRUCTURE PROJECTS

To-date, in the process outlined above, there are currently 21 projects identified: 10 from Year 1; 3 from Year 2 Q1; and 11 new potential projects identified this quarter. These 21 projects, if implemented, could benefit as many as 6.6M people.

*Table 6 Summary of potential Productive Infrastructure projects identified*

Department	Year 1	Year 2
<b>Quetzaltenango</b>	<b>4 Projects:</b> electrical transmission project; inter-city transportation and cargo hub; Smart City project in Salcajá; refurbish tourist facilities	<b>2 Projects:</b> Extension of Academic Services center at the University Rafael Landívar in Salcaja; refurbishment of 17 strategic roadways to improve flow of people and goods within the Commonwealth of Los Altos, which includes Quetzaltenango, La Esperanza and San Mateo.
<b>Totonicapán</b>	<b>2 Projects:</b> Support for redesigning commercial infrastructure around an infrastructure project at km 188.5 on the Panamerican Highway (known as Cuatro Caminos); amplification of commercial and intercity transit center in Totonicapán	<b>2 Projects:</b> Support for redesigning commercial infrastructure around an infrastructure project at km 188.5 on the Panamerican Highway (known as Cuatro Caminos); amplification of commercial and intercity transit center in Totonicapán
<b>San Marcos</b>	<b>1 Projects:</b> Improvement to border post facilities, Tecún Umán II	<b>1 Projects:</b> Improvement to border post facilities, Tecún Umán II
<b>Huehuetenango</b>	<b>3 Projects:</b> airport improvements including upgrading of the access gate; support to identify improvements to five tourist sites in the municipality of Huehuetenango (nature paths; bathrooms) upgrading of the Rochelli Commercial Plaza in the center of Huehuetenango.	<b>1 Projects:</b> continued improvements to the Huehuetenango airport, including a study of potential obstacles to the ‘access cone’ to guarantee security for incoming flights, and potential support to upgrade the landing strip
<b>Quiche</b>	<b>2 projects:</b> Refurbishment, including a new bridge, on the Pachulum-Quiche highway connecting Quiche with Guatemala City;	<b>2 Projects:</b> Inter-city bus terminal and wholesale trading center in Sant Cruz del Quiche; refurbishment, including a new bridge, on the

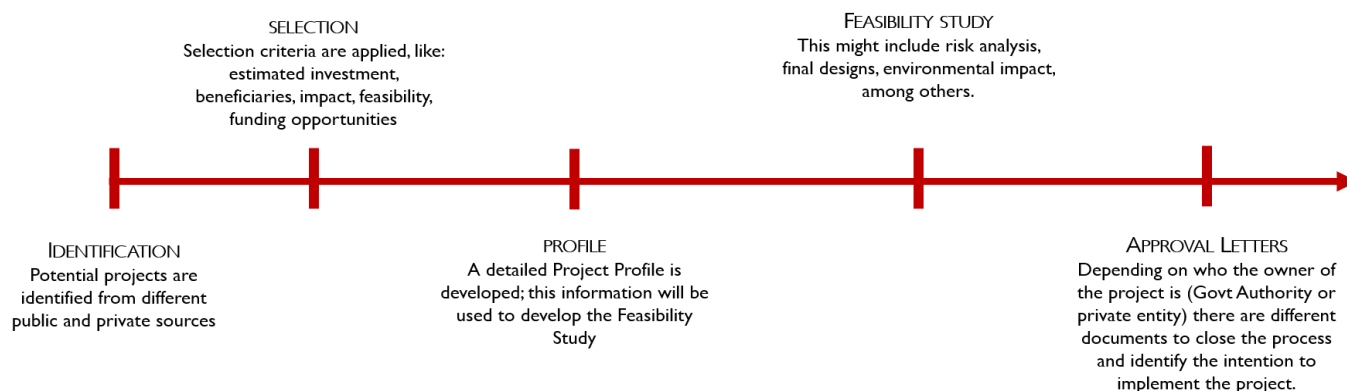
	improvement to border post facilities Ingenieros	Pachulum-Quiche highway connecting Quiche with Guatemala City
<b>Guatemala</b>	<b>4 projects:</b> Special Economic Zone; watershed management; refurbishment of Chuarancho highway; historic center refurbishment	<b>13 Projects:</b> refurbishment and construction of roads and highways (4 – Rehabilitation of Las Flores, Chinautla to San Raimundo, Chuarancho; East-West Corridor Vista Hermosa-El Naranjo; Eastern Connector Blvd Lourdes zone 16 to Vista Hermosa zone 15; Eastern Connector Vista Hermosa zone 15 to Diagonal 6, zone 10) rehabilitation of water supply and sanitation treatment to improve metropolitan area water management(3), support to develop logistical centers (2 – Enfoque Empresarial; Los Geranios); support for public building construction (4 – USAC Metropolitan University Center, zone 17; USAC Convention and Master’s Program center, zone 14; Central Customs Building (SAT), zone 17; Customs Administrative Tower (SAT))

One of the specific initiatives in the Project is to promote ‘Smart Cities’ in target geographies, beginning with Salcajá in Totonicapán, whose mayor is very interested in the concept which links urban and economic development with technology and educational opportunity. This quarter, the team compiled information on the progress that already had been made in Salcajá. In addition, other municipalities in target geographies have expressed interest in the concept: La Esperanza, Quetzaltenango; Villa Nueva and Guatemala in the Guatemala Department. The Project is reviewing opportunities in each of these sites.

### 3.2.2 SUPPORT IMPLEMENTATION OF HIGH-POTENTIAL PROJECTS

The figure below shows the different stages in the process to identification of productive infrastructure projects being implemented by the Project.

*Figure 5 Implementation Process for High-potential Productive Infrastructure Projects*



Five (5) feasibility studies for identified projects are currently underway. Feasibility studies are only initiated when there is a specific petition from the institution or agent responsible for implementing the project.

An internal Project Committee reviews requests and Project Profiles to determine whether a project should advance to the stage of feasibility study, and what will be studied exactly. The institution responsible names a supervisor and communications lines between the Project and the institution are agreed.

These five projects are projected to bring \$42M in investment; create 1075 construction jobs and 650 permanent jobs; and benefit 580,000 people.

Four more potential projects are in a phase to determine whether the project can proceed to the feasibility study phase, as can be seen in the table below. These four projects would bring \$108M in investment, create 3,020 construction jobs and 1,100 permanent jobs, and benefit 2,885,000 people.

*Table 7 List of feasibility studies in-process or in development in Q2*

#	Projects	Investment \$M	Est. Beneficiaries <sup>1</sup>	Est. Jobs in Construction	Est. Jobs in Operation	Actual Status
1	Airport refurbishment Municipality of Huehuetenango, Department of Huehuetenango	0.5	5,000	30	10	Feasibility Studies
2	Road Rehabilitation -RD-GUA 4- Chinautla-Chuarrancho -5 km- Department of Guatemala	4.2	70,000	45		Feasibility Studies
3	Road Rehabilitation -RD QUI 2- Pachalum-Joyabaj -7 km- Department of Quiché	8.9	160,000	50		Feasibility Studies
4	University Campus Rafael Landivar University Municipality of Salcajá, Totonicapán	22	15,000	250	640	Feasibility Studies
5	Road Network Quetzaltenango, La Esperanza and San Mateo Municipalities Department of Quetzaltenango	6.44	330,000	700		Feasibility Studies
6	Border Port Tecún Umán II Ayutla Municipality Department of San Marcos	17.76	200,000	450	100	Development of technical specifications for feasibility study
7	University Campus San Carlos of Guatemala University -Public- Guatemala City -Zone 17- Department of Guatemala	20.63	25,000	850	500	Development of technical specifications for feasibility study
8	Customs Building Guatemala City -Zone 17- Department of Guatemala	9.6	60,000	220	50	Development of technical specifications for feasibility study
9	Customs Administration Building Guatemala City -Zone 9- Department of Guatemala	60	2,600,000	1,500	450	Development of technical specifications for feasibility study
	<b>TOTALS</b>	<b>150.03</b>	<b>3,465,000</b>	<b>4,095</b>	<b>1,750</b>	

<sup>1</sup> Direct beneficiaries are those who are able to make use of the productive infrastructure improvement, as well as full-time and temporary employees estimated for the construction and subsequent operation stages. Indirect beneficiaries are calculated on the basis of the average size of families of direct beneficiaries. These calculations are based on the methodology used by the Food and Agriculture Organization (FAO) for projects of this nature. <http://www.fao.org/3/a0322s/a0322s00.htm#Contents>

*Task/Inputs Table 3.2 Develop and Support Implementation of a Pipeline of Productive Infrastructure Projects*

<b>Task No.</b>	<b>Task/Input Description</b>	<b>Est. Start</b>	<b>Est. End</b>	<b>Output(s)</b>	<b>Status</b>
<b>3.2.1 Identify and Define Productive Infrastructure Projects</b>					
<b>3.02.01-01</b>	Continue to develop pipeline of infrastructure investment opportunities in consultation with stakeholders	October, 2018	Sep 2019	Robust pipeline of prioritized infrastructure investment projects for year 3 created	In-process
<b>3.02.01-02</b>	Complete project profiles for prioritized investment opportunities	Oct 2018	Mar 2019	Minimum of 10 project profiles completed	In-process
<b>3.02.01-03</b>	Create plan for “smart city” development for Salcajá	Oct 2018	December 2018	Action Plan for “smart city pilot in Salcajá	In-process
<b>3.02.01-04</b>	Pilot “Smart City” infrastructure investments in Salcaja and identify additional cities to scale	Jan 2019	Sep 2019	Pilot project underway with preliminary results	Pending
<b>3.2.2 Support Implementation of High-Potential Projects</b>					
<b>3.02.01-01</b>	Design and complete feasibility study requirements	Jan 2019	Sep 2019	Feasibility studies meet all potential funder requirements	In-process
<b>3.02.01-02</b>	Create feasibility study workplan	Jan 2019	Sep 2019	Viable timeline and management tool for study completion	Pending
<b>3.02.01-03</b>	Complete feasibility study including stakeholder engagement	Mar 2019	Sep 2019	4 market-ready infrastructure investment projects, government approvals and permitting where possible	Pending
<b>3.02.01-04</b>	Market infrastructure investment project to potential public and private funders	Sep 2019	Sep 2019	High potential investors lined up.	Pending

## 4 PRIVATE SECTOR COMPETITIVENESS IMPROVED

During the quarter, the Project signed nine Letters of Intent, including one group Letter of Intent with Walmart which outlines support for 20 women-led SMEs in the Walmart value-chain. These nine agreements bring to 64 the number of businesses allied to the project, through 45 MOUS. Thirty-five of these allies have received personalized technical advice to develop Action Plans which identify technical and other assistance required to promote investment and growth.

In this quarter, allied businesses created 223 jobs, generated \$3.09M in new sales and invested \$2.95M in their businesses.

### 4.1 DEVELOP AND IMPLEMENT ANCHOR FIRM ALLIANCES

#### 4.1.1 IDENTIFY, DEVELOP, AND MANAGE A PIPELINE OF PARTNER FIRMS

From business contacts made during presentations to Chambers of Commerce and at trade shows in Quarter I, 142 businesses expressed interest in Project opportunities. Some 38 presented Manifestations of Interest, and of these, so far, nine have led to Letters of Intent, including one with 20 SME suppliers to Walmart.

Expected jobs growth at 3,324, new sales at \$104M and new investment at \$27.7M over three years. Two-thirds of these 64 companies are in manufacturing – in sub-sectors of processed foods; light manufacturing; bottled beverages; pharmaceuticals; textiles and clothing; and shoes. Twenty-six percent are in service industries – sub-sectors of tourism, restaurants and health services. Eight percent belong to other sectors such as construction and commerce.

#### 4.1.2 PROVIDE TECHNICAL ASSISTANCE TO FIRMS UNDER ALLIANCES

Most businesses are seeking market studies and brand building support. Many are looking to strengthen their business models and improve production processes to bring efficiencies to plants. Many also want support to develop or take advantage of existing electronic platforms, development of new product lines for new client bases or linkages to new markets through trade fairs. In the quarter, the Project supported 29 consultancies to deliver analysis and recommendations to allied businesses in these areas.

To facilitate greater project capacity to deliver technical assistance to allied businesses, a second Indefinite Quantity Contract (IQC) process was published this quarter, and 107 businesses applied to become consultants in 10 categories of technical assistance ranging from improving management skills to communication and marketing; from human resource management to industrial design and architecture. Evaluation of these proposals is expected to finish early next quarter.

Some examples of the kinds of technical assistance provided to allied firms:

- a. **Growth planning:** all businesses with an eye to growth in their markets need strategic planning to help them reach their goals. Strategic planning support can include: developing and prioritizing strategies; defining appropriate organizational structures; marketing and communications strategies.
- b. **Industry licences and approvals:** for some companies, the limitations on growth may be the steps required to achieve a specific regulatory approval or licence. The Project has provided training of key staff, capacity building in process management required to obtain approvals and



recommendations to quality control systems and production standards to facilitate obtaining required standards.

- c. **Development of new product lines, and capacity building:** for many SMEs, growth and new opportunities are to be found in expanding, diversifying or opening new lines of products for new audiences or new markets. Consultants bring analysis of industry trends, demographic trends which can inform decisions about redesigns, additions of plant and training for staff, including down the value-chain.
- d. **Access to business platforms:** through partner AGEXPORT, allied businesses have access to tools and training like E-Target and Connecting Best Markets, which can link companies to new client bases and new markets, and spark ideas for business growth through product and market development, virtually.
- e. **Financial re-engineering:** Project staff and consultants help businesses review income, operational and other costs, administration structure and processes, publicity and marketing, and sales, to provide an accurate picture of the status quo and opportunities to improve the bottom line to drive growth

#### 4.1.3 STRENGTHEN BUSINESS DEVELOPMENT SERVICES PROVIDERS

The project is currently awaiting the outcome of a MINECO solicitation to provide funding to 10 Centers that were at risk for lack of funds. An International Development Bank (IDB) loan supporting them finished in December 2018. Since then, the Ministry of Economy has managed the centers budgeting. The decision over the ten centers in target geographies is expected by May.

In terms of Activity 4.01.03-02 (ROSDE), there are not enough resources in MINECO to ensure sustainability of this activity once it is completed. Therefore, it does not make sense to include the activity in the work plan at this time. It may be reconsidered for Year 3.

#### 4.1.4 PROVIDE TARGETED TECHNICAL ASSISTANCE TO SUPPORT SECTOR-LEVEL INITIATIVES

An alliance between the Project, the Guatemalan Tourism Institute (INGUAT), the Huehuetenango Autonomous Tourism Committee, local municipalities and tourism stakeholders kicked off formally February 6 with a Letter of Intent with INGUAT. One goal of the agreement is to hire consultants to develop tourism strategies for three key cities: Huehuetenango, Quetzaltenango and Guatemala.

Growth in the new airline offering services between Guatemala and Huehuetenango is a good sign of latent demand for services to this region. This quarter, the Project also began to hire services to support more vigorous regional participation and presence in the Expedia global tourist platform. The plan is to add 100 tourist sites and services to the platform, making them accessible to a worldwide audience of millions.

A program of capacity building for members of the Autonomous Tourism Committee in Huehuetenango began this quarter, to help members develop packages for tourists. It will continue into the next quarter.

Task/Inputs Table 4.1 Develop and Implement Anchor Firm Alliances

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
<b>4.1.1 Identify, Develop, and Manage a Pipeline of Partner Firms</b>					
4.01.01-01	Host bidders' conferences presenting anchor firm alliance opportunity in target Ecs	Oct-18	Sep-19	Host 10 bidders' conferences	In process
4.01.01-02	Generate portfolio of potential anchor firms	Oct-18	Sep-19	Portfolio with at least 200 potential partners	In process
4.01.01-03	Solicit concept notes from potential anchor firms in response to the Anchor Firm Alliance RFA	Oct-18	Sep-19	Target of at least 50 concept notes submitted	In process
<b>4.1.2 Provide Technical Assistance to Firms under Alliances</b>					
4.01.02-01	Review concept notes, and initiate co-creation with successful applicants to finalize letters of intent and/or grant agreements with anchor firms	Dec-19	Sep-19	At least 20 alliances finalized and 20 in progress	In process
4.01.02-02	Implement anchor firm alliances (TA, contracting, procurement, training, pilot new models)	Dec-19	Sep-19	40 new alliances with anchor firms established to generate investment, employment and sales.	In process
4.01.02-03	Launch and manage BDS IQC	Oct-18	Sep-19	Award IQC contracts to a minimum of 5 BDS providers	In process
4.01.02-04	Provide STTA and/or BDS services to high potential SMEs to increase competitiveness	Oct-18	Sep-19	Provide support to firms/suppliers under MOUs/Anchor firm agreements	In process
<b>4.1.3 Strengthen Business Development Service Providers</b>					
4.01.03-01	Provide support to <i>Centros PromiPyMEs</i> as detailed in narrative	Oct-18	Sep-19	4 PromiPyME Centers are contracted to strengthen SMEs in project geographies	Pending
<b>4.1.4 Provide Targeted Technical Assistance to Support Sector-0Level Initiatives</b>					
4.01.04-01	Create strategy and work plans for cities of Guatemala, Quetzaltenango, and Huehuetenango to strengthen tourism, implement plans	Oct-18	Sep-19	strategy and action plans established	Strategy completed; action plan in-process

## 4.2 STRENGTHEN THE ENTREPRENEURSHIP AND INNOVATION ECOSYSTEM

### 4.2.1 STRENGTHEN ENTREPRENEURSHIP AND INNOVATION DEVELOPMENT CENTERS

Letters of Intent are being developed with three Entrepreneurship Centers. The project will strengthen capacities in areas including: business mentoring methodologies and training; innovation and prototype development and sustainable financial planning. Implementation is expected to begin next quarter.

### 4.2.2 DEVELOP AND LEVERAGE ALLIANCES TO IMPROVE THE ENTREPRENEURSHIP/INNOVATION ECOSYSTEM

The Project is supporting a successful methodology for incubating and accelerating growth of high-potential start-ups and enterprises: Scale-up Xela, implemented by Babson College and the Guatemalan Development Foundation (FUNDESA in Spanish). The program kicked off with a workshop March 26 in Quetzaltenango for 300 business leaders and start-ups, municipal and governmental agency officials, press and academics, and financial institution and investment fund managers. Working groups tackled issues including: business growth strategies; local variables in the business ecosystem; and business stakeholders.

As a result of this intense activity, Babson will implement its Scalerator Program for high-growth potential companies in Quetzaltenango, beginning with between 15 and 20 enterprises. The seven-month program includes workshops, mentoring, stakeholder visits, and creation of robust scale-up/ growth plans for each participant. The program will begin in May and includes monthly sessions between three and four days. The program includes regular monitoring of change in enterprise capacity, cash-flow, employment, investment and sales.

The project is supporting selection of Scalerator participants. Enterprises need to have a minimum number of employees, be in operations more than two years, have a scalable model, a growth plan and representative sales.

Enterprise	Projected New Sales (USD)	Projected Investment (USD)	Projected New Jobs
6 enterprises which include: logistics and e-commerce, handmade goods, restaurants and software development	388,865	71,850	17

*Task/Inputs Table 4.2 Strengthen the Entrepreneurship and Innovation Ecosystem*

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
<b>4.2.1 Strengthening Entrepreneurship and Innovation Development Centers</b>					
4.02.01-01	Support 3 Entrepreneurship Centers in Ecs to launch 3 new services	Oct-18	Sep-19	New services launched	In-process
4.02.01-02	Establish financial sustainability plan and implement	Oct-18	Dec-18	Financial sustainability plan finalized	In-process
<b>4.2.2 Develop and Leverage Alliances to Improve the Entrepreneurship/Innovation Ecosystem</b>					
4.02.02-01	Develop Letters of Engagement with existing Incubators	Oct-18	Dec-19	at least 6 letters of engagement with specific priorities for collaboration	In-process

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
4.02.02-02	Provide targeted support to accelerators based on Letters of Engagement	Dec-19	Sep-19	Accelerators expand and up to 20 high-potential entrepreneurs receive support	In-process

### 4.3 PROMOTE MARKET LINKAGES

#### 4.3.1 SUPPORT PARTICIPATION IN INTERNATIONAL BUSINESS FAIRS AND TRADE MISSIONS

The Project facilitated the participation of 14 Guatemalan manufacturing companies in a Ministry of Economy and Guatemala Industry Chamber-led Trade Mission to three industrial cities of Mexico February 18 through 22. Some 130 business-to-business (B2B) meetings were scheduled in total, between Mexico City, Monterrey and Guadalajara, and the companies reported future contracts worth \$1.5M in negotiation. Each of the companies participating – in industries from processed foods, bottled beverages, leather processing, plastics, security services to textiles – received technical assistance to evaluate their competitive potential in the Mexican market and an evaluation of their export potential. Analyses were made of each of the participating sectors and companies were apprised of national import regulations and market characteristics in each city. The Mission was one of the results of Project participation in the August 2018 *Encuentro Empresarial Mexico-Guatemala* between government and businesses in Quetzaltenango, which led to the Quetzaltenango Consensus to promote cross-border trade.

One Guatemalan business owner, who had never participated in a trade mission of this kind before, participated in seven meetings, including one with a supermarket chain in Monterrey which is negotiating a purchase of his products. Another, who had participated in similar events before, held seven meetings in the three cities and reported that one potential buyer will now visit Guatemala as part of the process to close a deal. Yet another participant, diverted from Monterrey to Leon, which is the home of Mexico’s largest shoe-producers, and is negotiating finding an agent for his products for that industry.

In addition, this quarter, the Project supported the participation of *Algodones Maya*, a Guatemala City-based handmade goods company, in the New York NOW trade fair in February. The Project provided advice on choosing the most appropriate area – Handmade Global Design – within the Fair to show its home accessories; and updated the company website with e-commerce tools to facilitate wholesale and retail sales. The three-day event generated 72 contacts for the company.

Proposed changes in the table below reflect a change in the focus of project support from organization of trade and other fairs to offering support for individual anchor companies as part of an overall package of technical assistance. This technical assistance may include assistance to participate in a fair, but it is not the focus of the technical assistance in the majority of cases. Therefore, the numbers of companies overall participating in fairs will necessarily be less as seen below.

#### 4.3.2 SUPPORT PARTICIPATION IN NATIONAL BUSINESS-TO-BUSINESS EXCHANGES

The Project supported participation of 59 handmade goods producers in the national textile event, *GuateMaya Artesanal*, January 8 and 9 in the capital city. Organized by the Maya-Pacunam Foundation and Couture Lab, the event brought together 14 international designers and Guatemalan producers of textiles and accessories in a series of panel discussions about the value and opportunities for small, high quality

producers and designers in a growing clothing market. During the event, \$21,199 worth of sales were generated.

The Project led a workshop for nine representatives of six high-potential enterprises January 30 to strengthen understanding of existing tools and platforms for commercial marketing and promotion. The activity began with an individual business analysis of export potential (using the AGEXPORT tool Ruta del Exportador). Participants also learned about identifying and prioritizing key markets and analyzing opportunities between virtual events, a trade show and a Trade Mission.

The team is organizing four financial fairs to begin next quarter, to bring together Project-allied businesses and local banks and cooperatives in three cities: Huehuetenango, Quetzaltenango and Guatemala City. These fairs will strengthen SME capacities in assessing their own readiness to seek financing, and their ability to analyze and compare offers from different financial institutions which meet their needs.

Project-supported participation of 249 businesses in 10 trade shows to-date have resulted in sales this quarter of \$267,771 according to the quarterly survey implemented in February. These figures do not include sales from the February Trade Mission to Mexico.

#### 4.3.3 LEVERAGE TECHNOLOGY TO FACILITATE MARKET LINKAGES

An Action Plan with the Ministry of Economy and Ministry of Public Finances was agreed last quarter, and activities with respect to GuateCompras and SMEs as State Contractors are described in Activity 1.01.03.01 above.

Coordination with USAID’s Fiscal Strengthening Project and the Ministry of Public Finances was completed last quarter with a series of workshops with municipal purchasing department officials in the Quetzaltenango region.

*Task/Inputs Table 4.3 Promote Market Linkages*

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
<b>4.3.1 Support Participation in International Business Fairs and Trade Missions</b>					
4.03.01-01	Select cohort of companies to participate in each international event	Oct-18	Sep-19	15 companies participate in international industry events	In-process
4.03.01-02	Deliver technical assistance, coaching, and skills transfer	Oct-18	Sep-19	At least 8 Companies sign new contracts and increase sales by \$400,000	In-process
<b>4.3.2 Support Participation in National B2B Exchanges</b>					
4.03.02-01	Select cohort of companies to participate in each international event	Oct-18	Sep-19	at least 20 SMEs participate in national sector events	In-process
4.03.02-02	Deliver technical assistance, coaching, and skills transfer	Oct-18	Sep-19	At least 10 Companies sign new contracts and increase sales by \$500,000	In-process

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
<b>4.3.3 Leverage Technology to Facilitate Market Linkages</b>					
4.03.03-01	Finalize Letter of Engagement with MINECO-Mipymes, MINFIN-Municipal Development Office about Guatecompras work stream	Oct-18	Nov-18	Clear action plan established with buy-in	Completed
4.03.03-02	Implement Guatecompras workshops in EC municipalities	Dec-18	Sep-19	100 SMEs register with <i>GuateCompras</i>	In-process
4.03.03-03	Define and implement 1-2 pilot interventions to support E-commerce expansion in Guatemala	Nov-18	Sep-19	SMEs experience increased sales through e-commerce	In-process
4.03.03-04	Coordinate with USAID Fiscal Strengthening Program to develop Guatecompras one-stop-shop for SME contractors	Feb-19	Sep-19	Pilot Program defined	Completed

#### 4.4 DEVELOP A COMPETITIVE WORKFORCE

Project strategies to strengthen workforce development continue this quarter: promoting smaller employment kiosks to offer personalized services to match job-seekers to required positions; supporting agencies like the American-Guatemalan Chamber of Commerce (AMCHAM) and the Ministry of Labor to improve effectiveness of large employment fairs; initiating a model of capacity building a job insertion with JUNKABAL, which will train 150 women and find jobs for 120.

Two-thirds of the population in under-30, according to the National Statistics Institute, and there is a growing need to apply effective labor insertion models apt for the 21<sup>st</sup> century. This includes higher technological capacity, greater specialization, and with leadership and communications skills, for example.

##### 4.4.1 DEVELOP AND LEVERAGE ALLIANCES TO SUPPORT WORKFORCE DEVELOPMENT

The team continues to seek out public and private sector agencies and institutions in need for workforce development support, through a continuous dialogue to understand specific labor force challenges facing businesses in filling their labor needs. Alliances are being developed along four lines of work: with allied businesses to strengthen capacities in existing and new employees; institutions and entities offering specific market-ready training and job insertion programs; businesses which seek more effectiveness in participation in employment fairs and kiosks; and businesses looking to fill in-work practice and internships.

This quarter, the Project has cemented labor force strengthening plans of action with 17 businesses allied to the Project which focus on addressing gaps in staff capacities identified by business leaders. The team is analyzing each business' needs and experiences, and developing workforce strengthening plans in specific technical areas and in soft skills like interpersonal abilities, communication, leadership and emotional intelligence.

Two allies will provide employment experiences to complement education and training and strengthen chances of finding permanent employment.

Some 50 businesses participating in employment fairs are seeking support to fill positions. Eight institutions are in-process of implementing specific training and job-insertion programs for youth in target geographies: Hilton Hotel; Hotel and Restaurant Chamber of Quetzaltenango; *Central de Alimentos* (food processing); *Grupo Ultra* (construction); Bimbo (bakery); ProAmerica and Industrial Bank (BI); and Domino's Pizza

The project is also negotiating with the Ministry of Education and Ministry of Labor to strengthen the National Employment Policy and the National System of Workforce Training (SINAFOL in Spanish) – these efforts will help Guatemalans, especially youth, identify and certify their capacities in ways which employers can recognize.

The Project is also coordinating efforts in shared target geographies with USAID's Puentes Project, focused on vocational and work-ready training for youth. Puentes was invited to two employment fairs this quarter: one in Quiche for a local communications company Jan 29 seeking 40 new employees; and at the Ministry of Labor employment fair in Huehuetenango Feb 28 seeking 200 new employees.

#### 4.4.2 HOST AND IMPROVE THE EFFECTIVENESS OF JOB FAIRS IN TARGET GEOGRAPHIES

In Q2, the Project supported eight employment fairs and kiosks in Project geographies. Linking 4,096 job-seeking youth with 3,526 jobs offered by businesses. Three were held in Quetzaltenango three in Huehuetenango, one in Quiché and one in Guatemala. Some 103 job positions filled as a result have been reported to-date.

Project focus on improving effectiveness of the employment fair model is twofold: improving the use of technology as a key linking tool between job-seekers and employers; and building competencies and skills which are market-oriented and necessary for a modern labor force.

It is important to highlight two aspects of the employment fair experiences to-date, which were especially visible in Q2: employment events have been promoted in cities which have rarely had the experience in recent years; and employment events supported by the Project have included collaboration between different private and public sector stakeholders.

For example, Santa Cruz del Quiche had not had an employment fair for nine years before the Project organized one with USAID's Puentes Project and the Claro telephone company. Huehuetenango had not had a Ministry of Labor employment fair for seven years before the one held February 28.

The Project has coordinated specific actions with USAID's youth-oriented Puentes Project this quarter:

- Mini-job fair in Quiche
- MinTrab fair in Huehuetenango Feb 28

The Project has been instrumental in bringing together different stakeholders to enhance the effectiveness of these events: bringing private sector companies into the Municipal Job Center in Quetzaltenango to hold mini-job fairs; inviting USAID's Puentes Project to events and training; strengthening application of technology at events outside the capital city, with support from AMCHAM and the Rafael Landivar University in Quetzaltenango and Huehuetenango.

#### 4.4.3 DEVELOP AND IMPLEMENT A FORMAL EMPLOYMENT OPPORTUNITY PROGRAM FOR OUT OF SCHOOL YOUTH

The Roadmap to Youth Employment was developed last quarter to specifically support out-of-school youth with training and opportunities to enter the formal workforce. Information was gathered from

businesses in a range of industries which suffer high rotation rates of young people, and four job profiles were developed based on some key clients most urgent needs.

Companies like international bakery Bimbo, Hotel Hilton and financial institutions like *Banco Internacional* and *Promerica* seek sales and client services, with teamwork skills. The Huehuetenango and Quetzaltenango hotel associations, Mont’s Hotel and restaurants *Brule* and *Albamar* are looking for new staff with basic cooking and table-waiting skills, with self-esteem and self-confidence abilities. The Quetzaltenango Construction Chamber and other construction companies seek youth with capacities to become construction foremen, with industrial security training. Service-oriented companies like *Gran Gallo*, *Centro Medico Coatepeque*, *SOPIMUS* and *Dinamica Personal* seek youth with skills for the 21st century – technology and interpersonal skills.

Negotiations are underway with the National Institute of Training and Productivity (INTECAP) to deliver packages to train out-of-school youth for new openings in these positions in these allied businesses or work with Puentes to support additional training.

#### 4.4.4 STRENGTHEN THE VOCATIONAL TRAINING ECOSYSTEM

The team has identified three models for working with vocational training institutions and programs: training and insertion in work; training geared to insertion in work; internships and practicum. The Project began one program this quarter to benefit 150 women in the capital city and insert 120 into fulltime work or self-employment through training in skills related to health and beauty salons; restaurant and catering; management of social media; and basic graphic design.

The Project implemented a rapid assessment of needs in four institutions this quarter: *Junkabal*, *Ak Tenamit*, *Fe y Alegria* and *Instituto Tecnico de la Construccion de Guatemala* (a training agency of the Ministry of Education). Common weaknesses identified include: absence of a system of follow-up for program graduates; strong relationships with the private sector for job insertion opportunities; weak strategies to develop soft skills the market is looking for; and absence of internships.

to the project will implement a full Organizational Capacity Assessment (OCA in English) in each one of these agencies, which will look at two key areas: training programs which respond to current market needs; actual employment rate of graduates.

*Task/Inputs Table 4.4 Develop a Competitive Workforce*

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
<b>4.4.1 Develop and Leverage Alliances to Support Workforce Development</b>					
4.04.01-01	Continually update the EFTP map to extract best practices and innovations- and capacity of EFTPs for engagement in alliances	Oct-18	Sep-19	Real time map of WFD initiatives and resources	In-process



Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
4.04.01-02	Identify opportunities for WFD alliances in high potential sectors including construction, housing, commerce, services, and agroindustry	Oct-18	Dec-18	120 companies engaged	In-process
4.04.01-03	Finalize at least 5 WFD alliances	Oct-18	Feb-19	Job creation target of over 800 achieved	In-process
4.04.01-04	Initiate 4 additional WFD alliances	Feb-19	Sep-19	pipeline for year 3 generated	In-process
4.04.01-05	Coordinate with the Puentes Project to increase private sector linkages	Oct-18	Sep-19	Puentes graduates find employment	In-process
<b>4.4.2 Host and Improve the Effectiveness of Job Fairs in Target Geographies</b>					
4.04.02-01	Support National and regional job fairs to increase demand-driven focus	Oct-18	Sep-19	Increased job placement based on fairs	In-process
4.04.02-02	Complete feasibility study for online job clearinghouse	Feb-19	Sep-19		In-process
<b>4.4.3 Develop and Implement a Formal Employment Opportunity Program for OSY</b>					
4.04.03-01	Finalize selection of 4 job profiles with at least 4 interested firms per profile	Oct-18	Nov-18		In-process
4.04.03-02	Complete contracting process with EFTP to customize curriculum and run training course	Nov-18	Jan-19		In-process
4.04.03-03	Initiate Jovenes Comprometidos program	Jan-19	Sep-19	800+ graduates in internships and entry-level jobs	In-process
<b>4.4.4 Strengthen Vocational Training Ecosystem</b>					
4.04.04-01	Complete OCA of EFTPs that will support WFD alliances	Nov-19	Sep-19	4 OCA assessments and action plans completed	In-process

## 5 CROSS-CUTTING ACTIVITIES

### 5.1 INTEGRATE GENDER EQUALITY, SOCIAL INCLUSION AND CONFLICT SENSITIVITY INTO PROJECT ACTIVITIES

During the quarter the Project identified 55 organizations and/or associations led by women or indigenous peoples in target geographies, in order to assess opportunities to become project allies. Thirty were identified as potential allies, after applying three key criteria: sales last year in excess of \$15,000; more than 300 members; and more than 5 employees.

*Table 8 Potential Allied Businesses and Associations led by Women and/or Indigenous Peoples*

Department	# of Orgs.	Sectors represented
Guatemala	12	Handmade goods, textiles, processed food, furniture and wood products, agro-industry
Quetzaltenango	4	Handmade goods, chocolate, services
Huehuetenango	4	Credit union, bakery, textiles, canned meats
San Marcos	2	Agro-industry, handmade goods, textiles
Totonicapán	4	Credit union, commerce, agro-industry, handmade goods
Quiche	4	Credit union, baskets
<b>Total</b>	<b>30</b>	

Six organizations were selected for a pilot project – one in each Department – and the Team will be working with each one to develop a Manifestation of Interest and a business assessment in order to create action plans for working together.

The goal of integrating a perspective of gender equality and social inclusion is to ensure that there is a transformation of institutional structures and social inequalities towards just and equitable structures. In order to support this, the Gender Team has developed two methods: a training and awareness-raising plan for staff; and development of three checklists for different internal and external processes which will promote application of gender-sensitivity and social inclusion.

In terms of the Training Plan, the Team led a survey of staff (how many) on their knowledge and understanding of key gender and social inclusion concepts. Then nine workshops were implemented with different staff offices in the capital city, Quetzaltenango and Huehuetenango.

The checklists are being developed to facilitate adequate and anticipated inclusion in project activities:

- Monitoring and Evaluation – support to gather information from allied businesses in terms of data pertinent to gender and social inclusion: whether businesses are led by women, youth, indigenous people or those with a disability; or whether these allies have employees with these characteristics.
- Operations – support especially for the grants and contracts teams to include an article in each contract or grant identifying how the implementation will consider gender and social inclusion in its implementation.
- Communication – changes to the event coordination procedures to ensure that spaces and events are gender-friendly and open for participation by people with disabilities.

Finally, the Gender team has developed this quarter a proposal for allied businesses to introduce issues of gender and social inclusion. The approach is based on personalized interactions with individual businesses to capture their understanding, experience and support of issues such as non-discrimination, gender equality. As part of next steps, the Team will lead an informative seminar on gender integration in the workplace, which includes identification of opportunities for technical assistance and support to improve workplace environments in these respects. A follow-up workshop would include specific tools and exercises directed at the issues in which the business expressed interest.

*Task/Inputs Table 5.1 Integrate Gender Equality and Social Inclusion into Project activities*

Task No.	Task/Input Description	Est. Start	Est. End	Output(s)	Status
<b>5.1.1 Integrate Gender Equality, Social Inclusion and Conflict Sensitivity into Project activities</b>					
5.01.01-01	Identify vulnerable population (women, youth, people with disabilities) organized to form chains to link with anchor companies.	Jan 2019	Sep 2019	25 Organizations/ Associations/groups of vulnerable organized population linked to anchor companies from component 4.	In-process
5.01.01-02	Develop guidelines and analysis to integrate gender and social inclusion in the results of the activities developed by USAID/CEO	Jan 2019	Sep 2019	3 quarterly reports and 1 final report considers disaggregated data and analysis of gender and social inclusion	In-process
5.01.01-03	Host small group awareness workshops about gender integration and social inclusion	Jan 2019	Sep 2019	25 awareness workshops about gender and social inclusion	In-process

## 5.2 MANAGE COMMUNICATIONS, OUTREACH, AND KNOWLEDGE MANAGEMENT

The Communications team added two members at the end of the quarter: communications specialists in each of the regional offices of Quetzaltenango and Huehuetenango. The team actively supported Project visibility at four major events and more than 14 other events and activities which required invitations, agendas, banners and advertisements. The key events were three employment fairs – two AMCHAM events in Guatemala City and Huehuetenango; and one Ministry of Labor event in Huehuetenango – and the Sustainable Capital seminars for investors interested in impact investment funds in Guatemala City. The team also began planning outreach activities through Fundesa’s plan to support adoption of the Infrastructure Law.

### 5.2.1 MANAGE GENERAL PROGRAM COMMUNICATIONS AND OUTREACH

A series of communications products and materials were developed this quarter: external and internal signage for three offices; identify cards for staff for the central office (contract pending for regional offices);

Working closely with different program teams, a number of one-page graphic representations of the Project were developed: introductory; for potential allied businesses; identifying opportunities to strengthen agro-industrial, manufacturing and service value-chains; explaining the Investment Promotion Entity (IPE) and the Regional Agency for Commerce and Investment (ARCI); and productive infrastructure strategies and opportunities.

A Visual Identity Manual, which identifies a wider and more coherently designed range of materials which could be produced during the life of the project was finished and submitted to USAID for review.

### 5.2.2 MAINTAIN COORDINATION AND COLLABORATION WITH OTHER USAID/DONOR PROGRAMS AND STAKEHOLDERS

Visits were made to Quetzaltenango and Huehuetenango to introduce staff to communications functions, Project requirements in terms of events, materials and press. Similar presentations were developed for

grant candidates this quarter, as part of the support to review grant proposals. A USB with key marked materials was delivered to each staff member within the Consortium, as well as including them in the shared drive.

Materials from partners and internally were received and reviewed from more than 20 activities in the quarter, from public events to internal capacity building sessions.

Designs have been developed for a monthly Bulletin on project advances. The first is expected to be shared electronically in late April.

### 5.2.3 SUPPORT COMMUNICATIONS CAMPAIGNS TO INFORM AND CHANGE BEHAVIORS

The team supported the development of terms of reference to gather data in target geographies on knowledge, perceptions and utilization of specific financial products and services aimed at diverting remittances to productive investment. The work will conclude with two strategies: one to promote financial education programming; the other to direct public campaigns on financial education and productive investment.

*Task/Inputs Table 5.2 Manage Communications, Outreach, and Knowledge Management*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>5.2.1 Manage General Program Communications and Outreach</b>					
5.02.01-01	Contract professional services to ensure high-quality images, audio-visuals and design as inputs to production	Oct-2018	Sep-2019	Project materials adhere to standards in USAID and project Branding and Marking Guides	In-process
5.02.01-02	Purchase of equipment for communications team	Oct-2018	Nov-2018	Team equipped to manage and archive materials	Completed
5.02.01-03	Contract services to monitor media for mention of the project in target areas	Oct-2018	Sep-2019	Monitoring reports regularly produced	In-process
5.02.01-04	Produce communications materials not included in program activities, including generic materials for offices and general use	Oct-2018	Sep-2019	All offices and Components have basic basket of materials; internal bulletin produced	In-process
5.02.01-05	Regular team meetings to reflect on progress and challenges and plan the quarter	Oct-2018	Sep-2019	Team is functioning and communicating	In-process
<b>5.2.2 Maintain Coordination and Collaboration with Other USAID/Donor Programs and Stakeholders</b>					
5.02.02-01	Build capacity within the Consortium on marking, events and the press;	Oct -2018	Sep-2019	All staff, Consortium partners and sub-grantees know and apply knowledge on marking, events and press	In-process

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
5.02.02-02	Review and seek approval on all marked materials and oversee correct roll-out of all public activities	Oct-2018	Sep-2019	All materials and events promote approved project visibility and messaging	In-process
5.02.02-03	Produce the weeklies, Quarterlies and Success Stories, as well as social media posts	Oct-2018	Sep-2019	Deliverables are delivered on-time and with quality	In-process
5.02.02-04	Produce bulletins for key stakeholders;	Oct-2018	Sep-2019	Stakeholders are informed;	In-process
5.02.02-05	Meet with stakeholders to identify achievements, perceptions of key advances (Program team; local communicators in target areas)	Oct-2018	Sep-2019	Deliverables have key insights from Program staff and regional communicators	In-process
<b>5.2.3 Support Communications Campaigns to Inform and Change Behaviors</b>					
5.02.03-01	Contract services to conduct survey and focus groups of key and credible vectors of information for target groups	Oct-2018	Sep-2019	Report on key media used and perceived as credible by target audiences (businesses, youth, women etc.)	In-process
5.02.03-02	Support development, implementation and testing of informational materials for key programmatic audiences	Oct-2018	Sep-2019	Stakeholders understand key concepts and achievements of Project	In-process
5.02.03-03	Support Social Behavior Change Communications campaigns in Components 2 and 4	Oct-2018	Mar-2019	Audiences receive information from multiple media sources and change their attitudes and behaviors	In-process

## 6 PROGRAM MANAGEMENT AND OPERATIONS

### 6.1 MANAGE MECHANISMS FOR COLLABORATION AND STRATEGY CONSENSUS

#### 6.1.1 ORGANIZE AND ADMINISTER A NATIONAL KEY STAKEHOLDERS COMMITTEE

There was no Key Stakeholders Committee (KSC) meeting held this quarter, though continuous communication with the Ministries of Economy, Labor and Public Finance continue in terms of planned activities. The next formal meeting is planned for May.

*Task/Inputs Table 6.1: Organize and Administer a National Key Stakeholders Committee*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Status
<b>6.1.1 Organize and Administer a National Key Stakeholders Committee</b>					
6.01.01-01	Organize, conduct, and report on periodic meetings of the KSC	Oct 2018	Ongoing	Continued communication and collaboration with Key GOG Stakeholders	In-process

## 6.2 DEVELOP AND MANAGE ANNUAL WORK PLANS AND REPORTING

Activities are planned for next quarter.

*Task/Inputs Table 6.2 Develop and Manage Annual Work Plans and Reporting*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/ Results	Status
6.02.00-01	Host year 3 Work Plan retreat, including a Learning and Adaptation Session based on Y2 experiences, in Quetzaltenango or Huehuetenango	Aug 2019	Aug 2019	Integrated inputs to workplan, including lessons learned and adjustment from Y1 and Y2 experiences	pending

## 6.3 MOBILIZE, MANAGE, AND DEVELOP PROJECT PERSONNEL

The project Central Office, Quetzaltenango and Huehuetenango are fully equipped for all positions, with computers, internet, telephones and printers. The project continued to recruit and onboard staff according to the plan, and the following staff numbers were onboarded this quarter. The Guatemala Office has nine new staff; the Quetzaltenango office has 4 new staff; and the Huehuetenango office has 1 new staff.

The Project has continued to recruit and onboard staff according to the plan, building out teams on a demand-basis and to build field offices as the project reached maturity. In order to provide efficient and prompt technical assistance to anchor firms, **21 new positions** were approved, and the personnel will be distributed in the three offices. With these new positions, the total expected project staff increased from 120 to **135 employees**, when fully operational. **Ninety-two positions** have been hired and onboarded to-date (68%) and another 37 are in process of hiring. A current project organizational chart is included as an Annex to this report.

In this quarter, 26 short-term consultants have been hired to provide technical assistance to the anchor firms, to plan for economic zones and to improve business environment; another 15 scopes of work for short-term consultants and 50 for consulting firms have been approved, and the contracting process has begun.

*Task/Inputs Table 6.3 Mobilize, Manage, and Develop Project Personnel*

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/ Results	Status
6.03.00-01	2-3 trips by senior operations manager(s) to provide training, support, and recurrent reviews of essential finance management and operations functions	Oct 2018	Sep 2019	Knowledge, capacity, and efficiencies of project staff upgraded	In-process

## 6.4 MANAGE PROJECT OPERATIONS, INFRASTRUCTURE, AND PROCUREMENT

### 6.4.1 PROVIDE HOME OFFICE SUPPORT AND OVERSIGHT

Home Office support to strengthen administrative capacity has been given and support has reflected on program advances.

### 6.4.2 SETUP AND MANAGE PHYSICAL AND IT INFRASTRUCTURE

Due to the additional staff, the office has acquired the remaining fourth of the floor in the Europlaza Building in Guatemala City. Computers have been purchased. The new space is being adapted to Project needs installing internet connections and purchasing office furniture and should be ready in May. In the Huehuetenango office, another space will be rented on the same property to provide adequate space for personnel and activities planned for project implementation.

With the support of USAID representatives, the purchase of vehicles has been approved and license plate authorizations are being coordinated.

### 6.4.3 ADMINISTER GRANTS UNDER CONTRACT

The grants team added a grants assistant this quarter, in order to support activities.

#### ***Grants in process***

##### ***Component 4 Anchor Firm Alliances Program***

- During this quarter the two-phase application process for the first of the Anchor Firm Alliance grants was completed and approved by a technical committee and recommended for a Fixed Amount Award (FAA). A grant package was sent to USAID for approval on March 13, 2019. The total value of this grant is GTQ 3,710,115.52 USD\$477,710.60 of which the project will contribute 1,731,814.51 43.3% (US\$113,042.63) and the organization GTQ 1,978,300.81 53.3% (USD\$254,787.92).
- A concept paper from a Guatemala City business was approved on February 14, 2018 for an Anchor Firm Alliance grant. Full application is due on March 20. Proposal will be evaluated on March 24, if approved by the committee, grant package will be sent to USAID for approval during next quarter.

##### ***Component 2 Financial Facilitation Mechanism***

- Two proposals on financial education, remittances and investment, were approved by a technical evaluation committee and recommended for an award on February 8, 2019. The grants team is finalizing the grant package and it is expected to be sent to USAID for approval next quarter. The total estimated value for these grants is GTQ 6,599,825.00 (USD \$850,000.00) each.

#### ***RFAs in process***

*The grants team prepared the following RFAs, which are expected to be approved and launched during the next quarter:*

- *Productive Infrastructure:* to provide support to develop feasibility studies of high-impact productive infrastructure projects. The total estimated value of a grant in this area is up to GTQ 3,105,800.00 (\$400,000.00)

- *Work Force Development*: to generate work opportunities for youth 18-25 to reduce irregular migration. The total estimated value of a grant in this area is up to GTQ 1,940,000.00 (\$250,000.00)
- *Strengthen private sector capacity*: to support companies that have the potential to grow and expand in order to create new jobs, increase sales and expand their operations. The total estimated value of a grant in this area is up to GTQ 1, 940,000.00 (\$250,000)
- *Entrepreneurship*: short list to support three entrepreneurship centers to diversify their services and expand the impact on their interventions. The total value of a grant in this area is up to Q770,000.00

### APS in process

A solicitation was prepared through an APS, aimed at fostering extensive collaboration with the private sector, financial institutions, chambers of commerce, industry associations, foundations, entrepreneurs, investors to identify and suggest way to work together with to address key challenges established in the four components of the project. It will be sent to USAID for approval and it is expected to be launched during next quarter. The total value of the APS is up to GTQ7,700,000.00 (\$1,000,000).

#### Task/Inputs Table 6.4 Setup and Manage Physical and IT Infrastructure

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/ Results	Status
<b>6.4.1 Provide Home Office Support and Oversight</b>					
6.04.01-01	Provide direct Program Development support in country to technical and operations teams, Work Plan activities, and troubleshoot technical and operational challenges	Oct 2018	Sep 2019		In-process
<b>6.4.2 Setup and Manage Physical and IT Infrastructure</b>					
6.04.02-01	Define strategy for physical presence in the <i>altiplano</i> beyond Xela and Huehue offices.	Nov 2018	Nov 2018	Real estate/ engagement plan to cover S. Marcos and Quiché	In-process
6.04.03-01	Conduct 1-2 trainings targeted to grantees to strengthen understanding of grants framework and compliance	Jan 2019	Mar 2019	Grantees' understanding of USAID grants improved	In-process

## 6.5 MANAGE PROJECT MONITORING, EVALUATION AND LEARNING APPROACH

A new Director of ME&L, Pamela Garrido, was onboarded in March. In the first week, meetings of the whole M&E team, including staff in regional offices, met in the capital city to review actual processes and tools used to capture and measure results. At this meeting, standards and regulations for USAID's DQA were reviewed; priorities identified in consolidating instruments, information quality, documentary evidence collected; and needs identified to standardize tools to support implementation activities, including Grants, sub-contracts, consultant and in-house activities. In addition, team members shared experiences and lessons learned from other projects' audits and other teams' experiences with ensuring high quality information in monitoring systems.



A series of meetings were held also with members of each program unit, to be apprised of team-specific approaches to indicators and targets. Areas for further reflection and clarification were identified for monitoring support. The team began work towards a Data Dashboard which will generate reliable information for management decisions.

*Task/Inputs Table 6.5 Manage Project Monitoring, Evaluation and Learning Approach*

<b>Task No.</b>	<b>Task/Input Description</b>	<b>Est. Start</b>	<b>Est. End</b>	<b>Outcome/ Results</b>	<b>Status</b>
<b>6.05.01-01</b>	Roll out the web-based strategy & and performance measurement system.	Oct-2018	Dec-2018	The web-based strategy & and performance measurement system is operational	In-process
<b>6.05.01-02</b>	Organize and conduct the process to complete the Year I internal performance evaluation.	Oct-2018	Dec-2018	Internal report on the performance evaluation of Year I concluded.	Completed
<b>6.05.01-03</b>	Conjoin an internal task force to develop the plan for collaboration, learning and adapting (CLA)	Jan-2019	Mar-2019	A written CLA plan	In-process
<b>6.05.01-04</b>	Implement the first annual data quality assessment	Mar-2019	May-2019	Internal report on DQA findings and recommendations concluded.	pending

## 7 CHALLENGES, RISKS AND OPPORTUNITIES

In January, President Jimmy Morales unilaterally declared that the UN Commission Against Corruption in Guatemala (CICIG) would end its work in the country. National elections scheduled for June 16 began this quarter with 23 political parties vying for president, Congress deputies and mayors. The political situation therefore continues to be uncertain, with resulting uncertainty in the business sector until the third quarter at least.

Guatemala's economy grew 3.0 percent in 2018, according to the World Bank, up from 2.8 percent in 2017. Higher economic growth is essential to reduce economic inequalities, which are among the highest in the region, says the Bank, and cites mobilization of private investment, and investment in infrastructure and human capacity building as key to promote growth.<sup>2</sup>

Migration surged in the quarter, after record-low numbers a year ago. Some 268,000 illegal aliens were detained at the southern border between October 2018 and February 2019,<sup>3</sup> almost twice the number from the same period 12 months before. More than 136,000 people in family groups were detained in the same period – up from 107,000 for the whole 2018 fiscal year. Most are Central Americans, and many are Guatemalans, fleeing in family groups from poverty and hunger as work becomes scarce in the face of

<sup>2</sup> World Bank analysis on Guatemala, updated April 4, 2019, <https://www.bancomundial.org/es/country/guatemala/overview>

<sup>3</sup> New York Times March 5, 2019, <https://www.nytimes.com/2019/03/05/us/crossing-the-border-statistics.html>

dropping commodity prices for coffee and corn. Remittances in 2018 closed at \$9,500M, up 13.5% from 8,500M in 2017.<sup>4</sup>

One of the challenges the Project is grappling with is linking interventions to migration prevention. This quarter, the project began a study to identify the impact of specific project activities on migration.

Implementation challenges with national and local authorities continue while the elections are still running. National elections will take place June 19, but run-off elections for President will not be held until later in August, and the president-elect will not form a functioning government until January 2020. This will affect regulatory reform and collaboration with ministries.

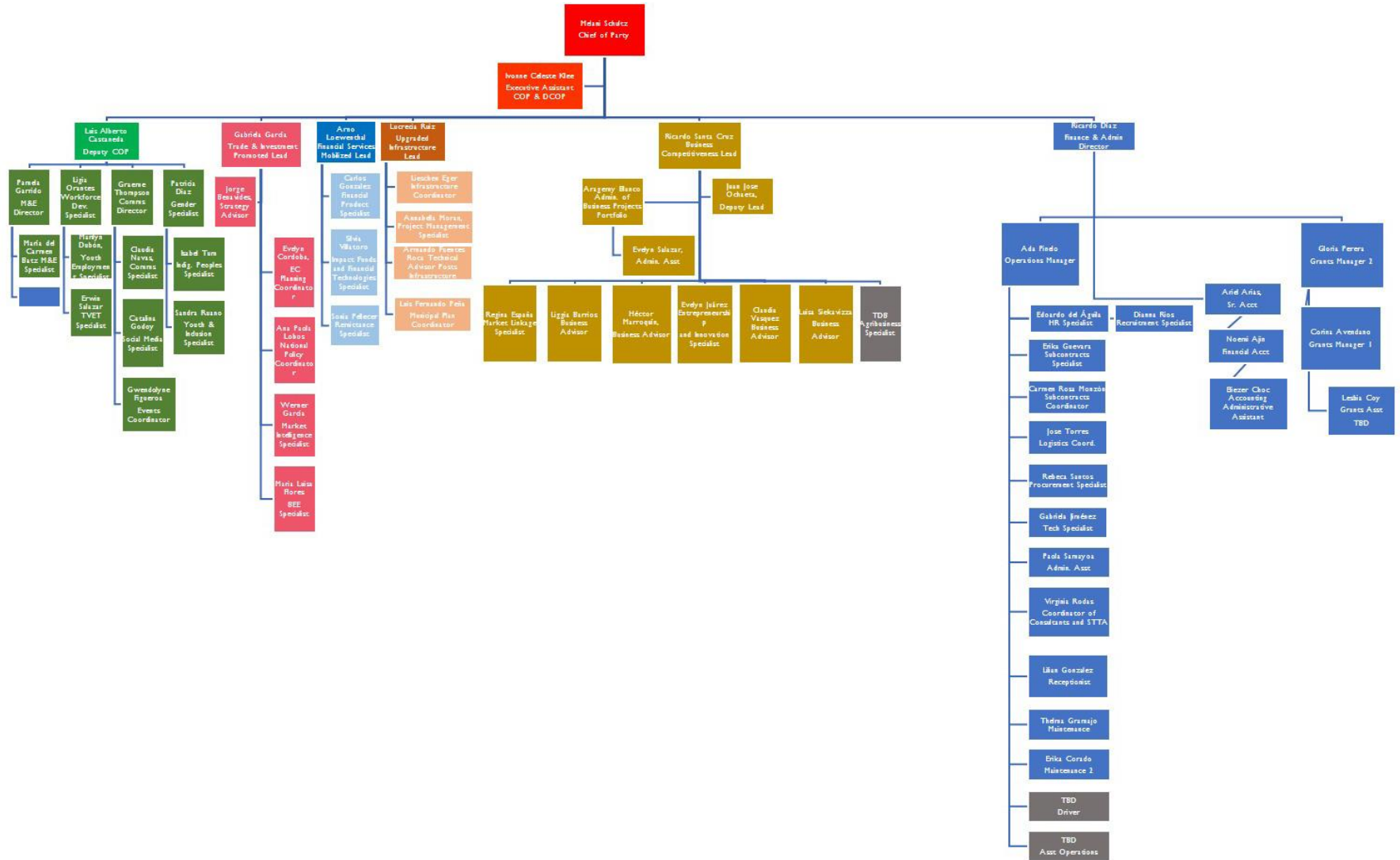
Another challenge has been with developing allied business actions plans. Projections for growth are perhaps needed to be a little more conservative, at least in initial phases with new allies. The experience so far is that it is taking longer for financing to be offered, and once offered, there are new and time-consuming processes to invest it in interventions which lead to increased production and employment.

---

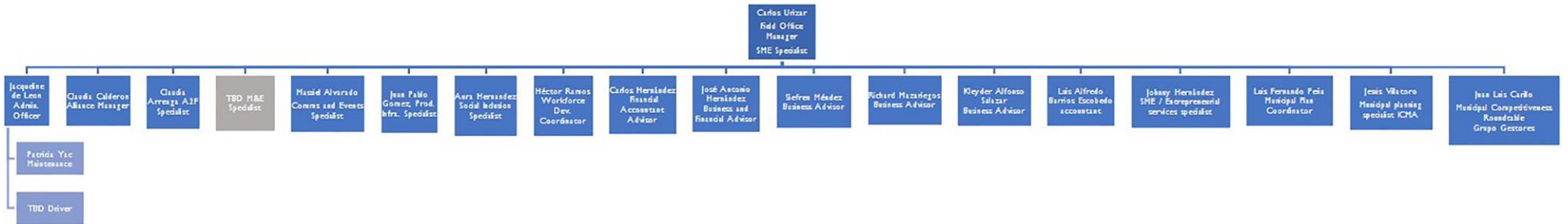
<sup>4</sup> <https://www.prensalibre.com/economia/bbc-news-mundo-economia/los-paises-de-america-latina-donde-mas-han-aumentado-las-remesas/>

# ANNEX A PROJECT ORGANIZATIONAL CHARTS

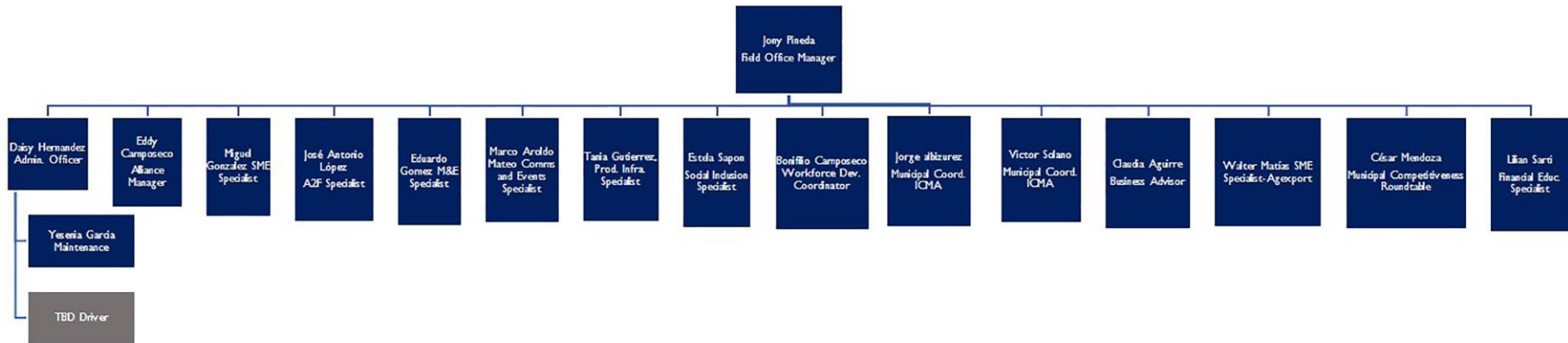
## CENTRAL OFFICE GUATEMALA CITY



## REGIONAL OFFICE QUETZALTENANGO



## REGIONAL OFFICE HUEHUETENANGO



## ANNEX B PROPOSED CHANGES TO THE WORK PLAN, MARCH 31

### Component I

#### **Proposed Change #1 – removal of an activity**

With completion of four of the six corridor activities, the majority of economic productive areas in the country will be covered. The project has also evolved in its identification of companies and productive infrastructure projects. This has reduced the need for this type of detailed study. Therefore, Activities I.02.01-03 and I.02.01-04 are to be eliminated.

Task No.	Task/Input Description	Est. Start	Est. End	Outcome/Results	Partners
<b>I.2.1 Develop and Implement Economic Corridor Strategies</b>					
I.02.01-01	Quetzaltenango-S. Marcos-Tecún Uman	Oct 2018	Dec 2018	Identify the economic potential, infrastructure, social, environmental and governance conditions in the ECs to guide all interventions of the Project.	Diverse Public, Private, Civil Society Actors
I.02.01-02	Quetzaltenango-Huehuetenango/La Mesilla	Jan 2019	Mar 2019		
<b>I.02.01-03</b>	<b>Huehuetenango-Ixcán/ Ingenieros</b>	<b>Jan 2019</b>	<b>Mar 2019</b>		
<b>I.02.01-04</b>	<b>Quetzaltenango-San Marcos/ El Carmen</b>	<b>Apr 2019</b>	<b>Jun 2019</b>		
I.02.01-05	Quetzaltenango-Huehuetenango-Totonicapán-Quiché	Apr 2019	Jun 2019		
I.02.01-06	Guatemala	Aug 2019	Sep 2019		

#### **Proposed Change #2 – removal of an activity**

The Ministry has been focusing on other priorities over the last few quarters. In addition, the support that the Ministry has requested from the project has focused on other areas of support. Therefore, this activity is currently not a priority of the Ministry. It can be reactivated if and when the Ministry identifies it as a need and a priority. Therefore, Activity I.03.01-03 will be eliminated.

<b>I.03.01-03</b>	Support MINTRAB to develop a Communications campaign to reduce migration and highlight employment opportunities in Guatemala	Nov 2018	Jun 2019	Raised awareness of economic opportunity and reduced migration.	MINTRAB
-------------------	--	----------	----------	---	---------

#### **Proposed Change #3 – removal of an activity**

The removal of this activity was requested by USAID. It is not currently a focus of the Ministry of Finance. Therefore, Activity I.03.01-06 will be eliminated.

<b>I.03.01-06</b>	Finalize proposed approach to Double Taxation agreements (from Y1)	Oct 2018	Dec 2019	Proposed draft bill delivered to Finance Ministry	MINFIN, AGEXPORT
-------------------	--	----------	----------	---	------------------

#### **Proposed Change #4 – addition of an activity**

The project's theory of changes is rooted in the idea that migration can be reduced, or rootedness, increased through local economic growth based on the creation of jobs in the areas with the highest propensity to

migrate. Based on this idea, the project proposes to identify data that can be used to more accurately reflect this tendency. Therefore, Activity 1.03.01-07 will be added.

<b>1.03.01-07</b>	Analyze data related to migration and their relationship to project activities	Apr 2019	Sep 2019	Proposal for methodology to measure impact of project activities on migration	consultants
-------------------	--	----------	----------	---	-------------

## Component 4

### **Proposed Change #1 – changes in expected results**

The changes below reflect a change in the focus of project support from organization of trade and other fairs to offering support for individual anchor companies as part of an overall package of technical assistance. This technical assistance may include assistance to participate in a fair, but it is not the focus of the technical assistance in the majority of cases. Therefore the numbers of companies overall participating in fairs will necessarily be less as seen below.

<b>4.3.1 Support Participation in International Business Fairs and Trade Missions</b>					
<b>4.03.01-01</b>	Select cohort of companies to participate in each international event	Oct-18	Sep-19	<b>15</b> companies participate in international industry events	PACIT, CIG, Jetro, VESTEX, INGUAT, Camara de Industria
<b>4.03.01-02</b>	Deliver technical assistance, coaching, and skills transfer	Oct-18	Sep-19	At least <b>8</b> Companies sign new contracts and increase sales by <b>\$400,000</b>	N/A
<b>4.3.2 Support Participation in National B2B Exchanges</b>					
<b>4.03.02-01</b>	Select cohort of companies to participate in each national event	Oct-18	Sep-19	at least <b>40</b> SMEs participate in national sector events	PACIT, CIG, Jetro, VESTEX, INGUAT, Camara de Industria
<b>4.03.02-02</b>	Deliver technical assistance, coaching, and skills transfer	Oct-18	Sep-19	At least <b>15</b> Companies sign new contracts and increase sales by <b>\$750,000</b>	N/A

### **Proposed Change #2 – removing one activity**

In terms of Activity 4.01.03-02 (ROSDE), there are not sufficient recourses in MINECO to ensure sustainability of this activity once it is completed. Therefore, it does not make sense to include the activity in the work plan at this time. It may be reconsidered for Year 3.

<b>4.1.3 Strengthen Business Development Service Providers</b>					
<b>4.01.03-02</b>	Support transformation of ROSDE to be more dynamic and relevant	Oct-18	Sep-19	MINECO implements the Marketing 4.0 tool to manage ROSDE to connect services demand with supply	MINECO, GG, CCG, AGG, PRODETUR, Alterna, UPANA, SDEs

## ANNEX C SUCCESS STORIES

### BRINGING COMPETITIVENESS SKILLS TO THE EXPANDING BUSINESSES WHICH NEED IT MOST

Many small and medium-sized companies have enviable qualities: products and services rooted in local traditions and strengths; strong understanding of the client base; reputations built on being part of local communities. But to move to the next level, these smaller businesses, often owner-operated or family-run, need to get to speed on a whole range of operational issues – from cost analysis to human resources management, from purchasing to storage to distribution; from physical plant management to taxes.

USAID’s Creating Economic Opportunities Project is helping business allies to deal with any and all of these issues in order to make businesses more efficient and competitive and enable their continued success. In 2018, just while expanding from the first French-style restaurant to three, and from nine employees to 30, owner and chef Sergio Rivas realized he needed help.

“We became aware of many mistakes that we should have considered before we grew, and we needed urgent advice, especially in the administrative area,” he said.

Guatemala scores low in terms of national competitiveness – 96 out of 140 in the World Economic Forum’s 2018 Global Competitiveness Index – and this impacts how competitive local businesses can be. But within their own operations, in which business owners have more control, improvements can be made in strategies, new product development, effective application of technology, capacity building of staff, cost accounting and efficient management of value-chains, among others.

At Brule Restaurants, the Project brought in a consultant to analyze operational processes, starting with the purchase of raw materials and ending with the sale of each item on the menu, and including: delivery, cold storage at the warehouse; labor to turn raw materials into delicious plates of food; customer service; and administration.

“In a food enterprise, labor and raw materials are the two highest operation costs, which is why balancing them is a priority,” said consultant Luis Pedro Ariz. “When there is no clear control, it is hard to establish the break-even point.”

The results of the technical assistance included installing a simple Excel program and some training to control newly established processes; development of technical control sheets for each item on the menu, establishing amount/ weight of inputs, required time by staff to produce the dish; and capacity building in administration. Ways and means to reduce the costs of inputs by 12% over the range of the menus were identified, and plans agreed to review progress in implementing these changes over the next three months.

“By putting things in order, the break-even point is easier to achieve, and starting in April 2019, they will begin making profits on their operation,” said Ariz.

Arso is a family busy, focused on processing and selling exotic fruits, like the rambutan and mangosteen. As part of the business expansion plan, the company aims to expand its value-chain by buying and processing fruit grown by smaller producers in the region and expanding its product range by developing new products.



*Xelapan baker in the Almolonga café and bakery, works in a newly organized space and system recommended to streamline operations. LSapalu/ Photo for USAID*

The Project is supporting designs for the new warehouse, blueprints for new machinery to freeze-dry fruit, and technical assistance to design new packaging for an expanding domestic market. Training for staff has been developed in line with industry-standard good management practices; and support to implement changes to obtain a health license required to sell products locally, was provided.

Expanded operations will provide 50 new jobs and 250 indirect ones within the smaller producers.

“Processing dehydrated products is not easy. But with financial and technical support, it is easier,” said ARSO New Project Manager Andrés Argueta.

Xelapán is a successful family-owned bakery and restaurant chain renowned in Quetzaltenango for its signature ‘shecas’ or buns. They have undergone a sea-change of operations in the last few years – going from 12 points of sale to 26. They were not experiencing any difficulties to note in operations, but they knew they could be more efficient. So, they requested support from the Project.



*Sergio Rivas, chef-owner of the Brule restaurant in Quetzaltenango was pleased to have storage and cooler spaces re-organized, and important cost-accounting of each item on his menus. These improve performance and the bottom line.*

*LSapalu/ Photo for USAID*

Technical assistance began with a thorough analysis of the main plant, where all the products for all restaurants and outlets are made daily. All the machinery was mapped, identifying uses, staff involved, and other equipment which needed to be at-hand to do each job.

The result was a new blueprint for allocation of machinery and a catalogue of all equipment, separating baking from pastry-making for example, which use different machinery and staff, to guide where machinery should be located, where equipment and food is stored, in order to reduce overcrowding in the stations and maximize efficiencies in work processes.

These three experiences demonstrate some of the challenges of the business environment in Guatemala. But, as can be seen, local entrepreneurial creativity, managerial drive and human resource capacity, combined with international and national technical assistance and expertise, is creating economic opportunities for Guatemala.

--30--

716 words





Team of the Quetzaltenango Municipal Planning Department and Project staff reviewing plans for an improvement to a planned alternative route between Quetzaltenango and La Esperanza, a burgeoning business and commercial center to the west. USAID Photo

#### TARGETED INFRASTRUCTURE SUPPORT BRIDGES MUNICIPAL AND BUSINESS CLIMATE NEEDS

Any businessman in Guatemala will tell you if you ask, that the state of the national roads is a disaster for the economy.

Statistics bear this out. The World Bank Logistics Performance Index ranked Guatemala 111 in 2016, a precipitous drop from 77 in 2014. Guatemala has about half the highway stock of other emerging and developing economies; and the quality is poor. Guatemala's 16,457-km asphalted road system has barely 1 km per capita, and 151 meters per square meter of territory – one-third the average in Central American and the Dominican Republic.

The impact of this on business is equally clear. It costs \$2.52/km to transport a standardized container from a warehouse to a port, and takes 1.61 minutes/km. In Mexico, it costs only \$1.16/km and takes only 1.07/km.

Bad roads are bad for business.

Which is why USAID's Creating Economic Opportunities Project is working with national and local authorities, and the private sector, in a collaborative way to promote targeted and tailored assistance to high-impact productive infrastructure projects which will improve the business enabling environment.

La Esperanza is a case in point: a small municipality close to Quetzaltenango, with 69 percent rise in population in recent years, and a new commercial center and university attracting business and students by the thousands. The only problem – there is only one road to get here, and that road also happens to be the only road between industrial center Quetzaltenango, and San Marcos to the west, and the Mexican border at El Carmen.

"In 25 years, traffic has grown so terribly," said Aníbal Juárez, owner of *Perfiles Candelaria*, one of the largest distributors of construction materials in the city, located right on one of the major routes being refurbished. "There are many accidents on this street."

The Project has been working on this issue with local authorities for several months to support solutions to serious traffic congestion in and around Quetzaltenango. Collaboration between three municipalities, the Commonwealth of Los Altos Metropolis (an entity that involves several municipalities in the departments of Quetzaltenango and Totonicapán and that promotes their sustainable development) and the private sector, is resulting in plans for 17 small projects – 10 road improvements and 7 small bridges – which will alleviate the most serious problems. Nine of these, including the alternate route to La Esperanza, are slated for implementation this year.

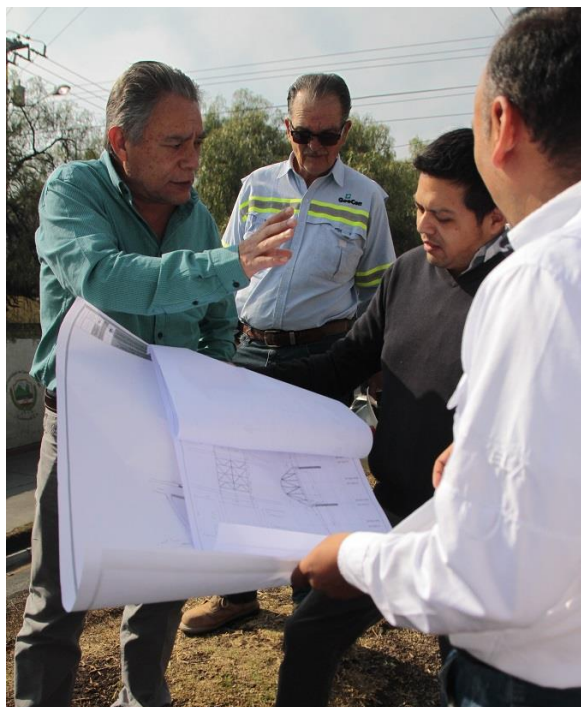
The Project is supporting these efforts with a series of studies to facilitate implementation: traffic pattern studies in the first instance to help design roads which will hold expected traffic; and a complete package of feasibility studies for highway construction projects. This includes: topographical and geometric studies; structural studies; assessment of the needs for signage, lighting and rainwater drains; viability studies; and environmental impact studies. Municipal authorities will invest almost \$6.5M in these interventions in the next three years.

“The support of the Project is fundamental, since municipal resources are insufficient.” La Esperanza Mayor Abraham Zelada said. Public bidding especially for the many required technical studies is an onerous process within government agencies. External support for these activities especially, is a great help.

But supporting planning and development of highway arteries in target geographies is not enough. The Project also supports regulatory reform, such as with the proposed Highway Infrastructure Bill, so that institutional bottlenecks can be sustainably addressed, and infrastructure needs for the future well managed.

The Project is actually supporting feasibility studies for five projects this quarter – the two highway projects mentioned above; another road improvement project in the Department of Guatemala; minor refurbishment of regional airport facilities in Huehuetenango; and support for the expansion of a university campus in Salcajá, Totonicapán.

Judging by this initial experience, it is clear that the Project will prove to be an effective facilitator of transformation in key economic corridors in the country.



*A team of engineers review plans drawn up by the surveyors for the construction of one of 17 road improvements being studied in the Quetzaltenango region. Fast growth and lack of planning has caused traffic chaos and is hurting business. USAID Photo*

--30--

657 words

## ANNEX D COMPLIANCE WITH USAID ENVIRONMENTAL PROCEDURES

There were no USAID Environmental procedures to report on this quarter.

## ANNEX E INDICATORS REPORT TABLE<sup>5</sup>

Indicator ID	Indicator Title	Unit of Measurement	FY 2018		FY2			% Achieved	Target	LOP			
			30/09/2018		(Oct 2018-Sep 2019)					Achieved Cumulative to FY2	% Achieved		
			Target	Achieved	Target	Achieved							
						Q1	Q2					Cumulative	
<b>Component One - Trade and Investment Promoted</b>													
1	Number of full-time equivalent (FTE) jobs created	FTE	300	0	5,200	118	268	386	7%	50,000	386	0.8%	
	Disaggregated by sex		Female	150	0	2,600	64	94	158	6%	25,000	158	0.6%
	Youth (under 25)		Total	90	0	1,560	64	80	146	9%	15,000	146	1.0%
2	Amount of Foreign Direct Investment (FDI) mobilized	USD MM	0.00	3.50	8.00	0.00	4.00	4	50%	50.00	7.50	15%	
3	Amount of domestic investment mobilized	USD MM	1.25	0	5.00	0.23	4.81	5.04	101%	25.00	5.04	20%	
<b>Component Two - Financial Services Mobilized</b>													
4	Number of people receiving training on financial topics	Participant	500	1,093	2,000	158	93	251	13%	9,100	1,344	15%	
5	Number of SMEs participating in the financial sector	Unit	20	3	50	16	13	29	58%	270	32	12%	
6	Value (\$) of financing and services provided to SMEs	USD MM	2.50	0.31	10.00	0.23	1.63	2	19%	50.00	2.17	4%	
7	Value (\$) of financing and services provided to remittance recipients	USD MM	0.50	0.00	1.00	0.00	0.00	0.00	0%	6.00	0.00	0%	
8	Value (\$) of capital invested in SMEs	USD MM	1.25	0.00	2.75	0.23	3.09	3.32	121%	25.00	3.32	13%	

<sup>5</sup> Numbers in most cases reflect data provided through March 31, 2019. However, in some cases company partners are still providing updated information through the end of March. With the next revision, the project will provide updated data for jobs, investment, loans and sales through March 31, 2019 based on data received through the end of April.

Indicator ID	Indicator Title	Unit of Measurement	FY 2018		FY2			% Achieved	LOP			
			30/09/2018		(Oct 2018-Sep 2019)				Target	Achieved Cumulative to FY2	% Achieved	
			Target	Achieved	Target	Achieved						
						Q1	Q2		Cumulative			
9	Remittances value (\$) directed towards investments and productive purposes	USD MM	0.50	0.00	1.00	0.00	0.00	0.00	0%	4.50	0.00	0%
<b>Component Three - productive Infrastructure Upgraded</b>												
10	Number of municipal instruments of urban and rural regulation completed	Units	0	0	3	2	0	2	67%	12	2	17%
11	Number of infrastructure projects marketed to the GOG and private sector for investment, including foreign direct investment	Units	0	0	4	0	0	0	0%	16	0	0%
12	Amount of total public and private dollars leveraged for information and communications technology (ICT) and other infrastructure projects	USD MM	0.00	0.00	10.00	0.00	0.00	0.00	0%	60.00	0.00	0.00
13	Number of people benefiting from improved ICT and other infrastructure services	People M	0	0	75	0	0	0	0%	300	0	0%
<b>Component four - Private Sector Competitiveness Improved</b>												
<b>Component 4.1 - Private sector Capacity</b>												
14	Value (\$) of sales generated by SMEs selling goods and services directly to the GOG, per year	USD MM	0.00	0.00	2.00	0.00	0.013	0.013	1%	9.10	0.013	0%
15	Number of firms receiving USG-funded technical assistance for improving business performance	Unit	11	21	130	43	33	76	58%	1100	97	9%
16	Number of firms participating in newly strengthened supply chains, foreign and domestic	Unit	3	0	50	0	20	20	40%	275	20	7%

Indicator ID	Indicator Title	Unit of Measurement	FY 2018		FY2				% Achieved	LOP		
			30/09/2018		(Oct 2018-Sep 2019)			Target		Achieved Cumulative to FY2	% Achieved	
			Target	Achieved	Target	Achieved						
						Q1	Q2					Cumulative
17	Amount (\$) invested by large firms into smaller firms along the supply chain	USD MM	0.20	0.00	4.00	0.00	0.31	0.31	8%	20.00	0.31	2%
18	Number of private sector firms that have improved management practices or technologies	Unit	3	0	50	40	0	40	80%	275	40	15%
19	Number of full-time equivalent (FTE) non-agricultural jobs	FTE	75	0	1,300	118	255	373	29%	12,500	373	3%
20	Value (\$) of new non-agricultural sales generated by firms receiving assistance	USD MM	2.00	0.12	33.00	0.43	3.52	3.96	12%	285.00	4.08	1%
<b>Component 4.2 - Workforce Development</b>												
21	Number of private sector firms selected for partnership	Units	20	13	55	12	13	25	45%	275	38	14%
22	Number of workforce development initiatives completed	Units	5	6	12	0	4	4	33%	70	10	14%
23	Number of youths participating in workforce development initiatives	Youth	250	404	3,000	3,508	4,096	7,604	253%	10,000	8,008	80%
24	Number of individuals with new or better employment following completion of USG- assisted workforce development programs	Youth	48	106	832	6	103	109	13%	8,000	215	3%
25	Number of job fairs to connect industry with job seekers, per year	Unit	1	6	8	3	8	11	138%	33	17	52%